EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,766 Friday February 10 1989 D 8523A

AFGHANISTAN
Divisions among the Mujahideen
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World News

UN observer force backed by Central America

Central American foreign ministers have agreed to back the establishment of a UN observer force in each of the five Central American countries. Page 18

North trial ruling
US appeal court ruled against Bush Administration and refused to stop trial of former White House aid Oliver North because of national security concerns. Page 6

Kampuchea plan
Kampuchean resistance leaders called for reconciliation among the warring factions of Kampuchea under a peace plan whereby the United Nations would supervise the withdrawal of Vietnamese troops.

Azores air crash
Searchers continued to recover bodies from the US-chartered Boeing 707 which crashed in the Azores Islands, killing 144 people on board.

Jamaica election
Early indications in the Jamaica election showed that conservative Prime Minister Edward Seaga would be unseated by Michael Manley, who led the radical left-wing government in the 1970s. Page 6

Sri Lankan troops
The Sri Lankan Government deployed troops across the island in an effort to halt pre-election violence that has claimed 800 lives since the beginning of the year.

Iran to free POWs
Iranian Foreign Minister Ali Akbar Velayati said Iran would release 260 Iraqi prisoners of war soon and insisted his country was ready to exchange the rest under United Nations-mediated peace talks.

Polish dispute ends
Coal miners who supply Poland's largest power plant suspended a strike after the Government warned that the dispute could harm talks with Solidarity union. Page 3

Hunger strike
More than 40 civil rights lawyers in South Africa pledged to fast for 48 hours in support of the hunger strikers' demands to be freed or put on trial. Seven detainees have been hospitalised. Page 4

Shura to convene
A traditional council *(shura)* of Afghan leaders prepared for meetings today to choose an administration that would oversee general elections for a new Afghanistan government. Page 4

Concorde cracks
British Airways is checking five of its seven Concordes after discovering "small cracks" in the roof of one aircraft. Air France is also checking its supersonic jets.

French prison picket
French police in full riot gear fired tear gas and pushed through prison guards picketing France's largest jail, Fleury-Merogis prison south of Paris, to take prisoners to court. Page 2

Neo-Nazi group ban
The West German Government banned the neo-Nazi National Assembly group as police raids in six federal states yielded arms caches and outlawed propaganda material.

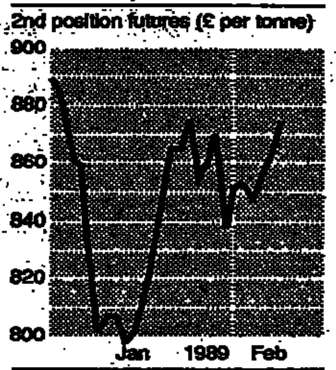
Business Summary

BET plans $500m US preference share issue

BET, UK-based support services group, announced plans to issue up to $500m of new variable dividend preference shares in the US. The move is set to add a new twist to the debate over the treatment of goodwill. Page 19

COCOA futures market in London continued its recent rally with the May quotation gaining £10 to £874 a tonne. In the absence of fresh fundamental factors, dealers attributed the rise to chart-inspired buying. Commodities, Page 32

Cocoa
2nd position futures (£ per tonne)



UK GOVERNMENT appointed accountancy group Deloitte, Haskins & Sells to examine the accounts of statutory water companies threatening to impose charge increases of 30 to 50 per cent. Page 7

EXPORT CREDITS Guarantee Department, UK Government agency, is likely to come under scrutiny after revised accounts revealed a loss of more than £1bn ($1.74bn) in the 1986-87 financial year. Page 6

COLGATE-PALMOLIVE, US household products group, reported a near doubling in fourth quarter earnings, due to strong performances in its overseas personal products operations. Page 20

EASTMAN KODAK, world's largest maker of photographic products, reported a striking advance as earnings in the last quarter rose by 29 per cent to $312m on a equivalent rise in sales to $4.54bn. Page 20

NMB BANK, Netherlands' fourth largest bank, and Postbank, Dutch state-owned bank, are expected to announce plans to merge and partially privatise the Government's stake. Page 19

TELEFONICA, widely quoted Spanish telecommunications monopoly, reported a Pta61.52bn ($528m) net profit for last year, a 15.5 per cent increase on 1987. Page 23

ERICSSON, leading Swedish telecommunications equipment group, lifted pre-tax profits by 66 per cent last year from SKr1.08bn to SKr1.84bn ($289.3m). Page 19

MEXICO and the World Bank are expected to hold formal negotiations over three loans totalling $1bn. Page 6

GEC-Marconi of the UK has been confirmed as Turkey's first choice for a military radio deal worth £90m ($1.56bn), possibly rising to £200m. Page 6

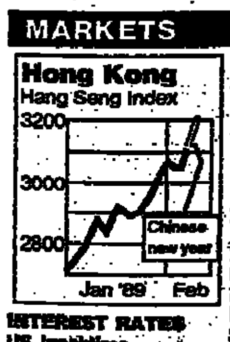
RENISON GOLDFIELDS Consolidated, 48 per cent-owned Australian arm of Consolidated Gold Fields of the UK, saw interim after-tax profit rise to a record A$35.3m (US$31.5m). Page 24

KOOR INDUSTRIES, largest industrial conglomerate in the Middle East, was reprieved from compulsory liquidation following agreement in London on a debt repayment schedule for the company's bank creditors. Page 4

NORTHWEST AIRLINES, US airline, has ordered 10 Airbus A330 planes — the largest order to date for the European jets. NWA is the first US company to order the aircraft, which cost $86m and seat 303.

MARKETS

Hong Kong
Hang Seng index



STERLING
New York closing
$1.7640 (1.7435)
London:
$1.755 (1.7435)
DM3.2625 (3.2650)
FFr11.105 (same)
SFr2.77 (2.7725)
Y225.5 (226.00)

DOLLAR
New York closing:
DM1.84725 (1.8705)
FFr6.2875 (6.3665)
SFr1.5670 (1.5905)
Y127.94 (129.425)
London:
DM1.859 (1.8720)
FFr6.3275 (6.3700)
SFr1.579 (1.5905)
Y128.5 (129.65)

STOCK INDICES
New York closing
Dow Jones Ind. Av.
2,323.04 (-20.17)
S&P Comp
296.06 (-2.60)
London:
FT-SE 100
2,079.1 (−17.1)
World:
145.73 (Weds)
Tokyo
Nikkei Ave
32,078.43 (+13.3)
Frankfurt
Commerzbank
1,695.8 (-5.4)

INTEREST RATES
US lunchtime
Federal Funds 9 3/8% (9 1/2)
3-month Treasury Bills: yield: 8.79% (8.82)
Long Bond: 100 1/2 (101 1/2)
yield: 8.93% (8.83)
London
3-month interbank close 12 13/16% (same)

GOLD
New York Comex April latest
$392.0 (399.1)

OIL
Brent 15-day (Argus)
$16.85 (-0.25) (Feb)
West Tex Crude
$17.375 (-0.29) (Mar)

Kohl insists decision on short-range nuclear missiles can wait

By David Marsh in Bonn

NATO has no need to take an early decision on introducing new short-range nuclear weapons for stationing in West Germany, Chancellor Helmut Kohl has insisted.

In his strongest statement yet of West Germany's determination to defer a decision on replacing Lance missiles deployed in the Federal Republic, Mr Kohl said: "The Lance remains sufficient and intact until 1995... the real decision over the production (of a successor) will be in 1991-92."

West Germany believes that a firm move to modernise the Lance, sought by the US and Britain, would give the wrong signals to the Soviet Union and Eastern Europe at a time of East-West detente.

It would also be highly unpopular with the West German electorate and the Chancellor is clearly hoping to prevent the modernisation question becoming a major issue in the general elections at the end of 1990.

In an interview with the Financial Times, Mr Kohl criticised attempts abroad to make West German agreement over the Lance successor a test of loyalty to Nato. "It doesn't interest me at all if others see this is a sort of litmus test. I have to represent German interests, and I am a reliable partner."

He said he was optimistic that Nato could reach agreement on an "overall concept" for its future disarmament strategy with the Warsaw Pact at the forthcoming Nato summit, probably in May.

He rejected the idea of complete elimination of short-range nuclear weapons – those with a range of less than 500 kilometres. These will be the only land-based nuclear weapons left in Europe following removal of the longer-range missiles under the "double zero" accord last year between the US and the Soviet Union.

The disarmament concepts under discussion – a 50 per cent cut in the superpowers' strategic arsenals, a ban on chemical weapons and then the reduction of conventional weapons and of short-range nuclear missiles – must be looked at as a whole, he said.

"Under 500km, the goal of the negotiations must be that we should come down to lower ceilings.

"I am a strict opponent of a third zero, because in a triple zero solution, our security would not be maintained."

On other issues Mr Kohl, under pressure over West German companies' involvement in the suspected Libyan chemical weapons factory, countered by calling for details to be revealed of the companies from other countries contributing to the Libyan plant. "I am in favour of full exposure," he said.

He promised more stringent legislation to tighten controls on the export of materials for the production of chemical weapons.

Feature, Page 16

Eurofighter deal may go to Ferranti despite W German opposition

By David Goodhart in Bonn

THE £2bn ($3.5bn) order for the European Fighter Aircraft's radar system, one of the world's largest defence electronics orders, looks increasingly likely to go to the consortium led by Ferranti of the UK, although not without a bitter political battle between the British and West German Governments.

The aircraft, which is being developed jointly by the UK, West Germany, Italy and Spain, will cost more than £21bn and should go into service in 1996. The gravest doubts about the project have been expressed in West Germany but all four countries agreed in May to support a prototype development costing about £5bn.

The radar order is being contested between the Ferranti-led consortium, which includes Fiar (Italy), Inisel (Spain) and Siemens (West Germany), and a consortium led by AEG (part of Daimler-Benz) of West Germany including Fiar and Inisel and the UK's GEC-Marconi.

Siemens' late entry into the Ferranti consortium is seen by some analysts as an attempt to prove to opponents of the Plessey bid in Britain's Ministry of Defence that the German company can compete with GEC in defence electronics.

But the inclusion of Siemens in the Ferranti consortium will not make it easier for the German Government to accept.

Indeed, because Siemens will probably take work that would have been sub-contracted to AEG, it will simply add a battle between two of Germany's biggest defence groups to the conflict at Government level.

Although the Eurofighter consortium itself – British Aerospace (UK), MBB (West Germany), Aeritalia and CASA (Spain) – has made no decision on the radar, the Nato EFA Management Agency (NEFMA), consisting of supposedly objective government representatives, has decided to back the Ferranti bid.

It appears, however, that the recent NEFMA recommendation was not unanimous. It is likely to have been backed by the UK, responsible for 33.3 per cent of the EFA project, and Italy (21 per cent), and rejected by West Germany (33.3 per cent), with Spain abstaining.

That majority recommendation, which is said to have deeply shocked the German authorities, will now go to government level where a compromise – possibly involving the UK Government shouldering more of the risk for the radar – will be sought.

German objections to the Ferranti ECR 90 radar system centre on it being untried compared with the AEG MSD 2000 system which is based on the APG-65 system built by Hughes of the US.

The AEG system is also preferred by the German military because it could be adapted for use in the Luftwaffe's F-4 Phantoms.

The UK and Italy prefer the Ferranti system because it is more sophisticated and because it is not based on a US license which might mean future controls on exporting by the Pentagon.

The Germans, however, see that as an added benefit because it would fit with their own self-imposed restrictions on arms sales outside Nato and avoid the arguments both within Germany and between Germany and its partners that have surfaced over exports of the three-nation Tornado fighter.

The view of the NEFMA majority is that only the Ferranti system will keep pace with Soviet systems and thus still be effective in 10 years' time.

Some officials say that the West German Government is indifferent between the two systems operationally but in order to persuade a sceptical defence establishment to accept the EFA project promised that the radar would be compatible with the Phantoms.

The current dispute only covers the £300m ear-marked for development of the radar system but whichever consortium wins the development contract is almost certain to win the main production contract.

George Bush reviews the text of his budget address speech in the Oval Office study yesterday

Bush budget aims to emphasise determination on deficit cuts

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush was last night preparing to unveil spending and tax proposals aimed at achieving credibility for his commitment sharply to reduce the US federal budget deficit.

Before the President's address to Congress, leaders of the Democrat-controlled Senate and House were giving a cautiously favourable response to the broad outlines leaked by Administration officials in recent days.

The centrepiece will be proposals to reduce the budget deficit for fiscal 1990 – which starts this October – to $98bn: slightly below the $100bn statutory target for the year. This compares with a $92.5bn projection in the budget of the outgoing Reagan Administration a month ago.

The main aim of the revised Bush plan is to achieve greater credibility with both Congress and the financial markets than the Reagan budget, which was widely regarded as resting on unrealistic economic assumptions.

The package has been presented, in the words of Mr Richard Darman, the budget director, as "an opening gambit in negotiations with Congress." These discussions are likely to take several months, with further revisions to the economic and other assumptions in mid-summer.

A row is certain, however, over proposals to cut capital gains tax for stocks and other non-depreciable assets held for at least a year. The longer-term aim is to introduce a sliding scale of tax with progressively lower rates the longer an asset is held. Democrat leaders have said that such a change would have to be matched by increases in other taxes on the better-off.

Professor Michael Boskin, the new chairman of the president's council of economic advisers, has endorsed the optimistic thrust of the Reagan medium-term forecasts. But for the immediate future he has projected a substantially higher level of short-term interest rates than his predecessor. Faster than expected recent economic growth has, however, boosted projected revenue.

President Bush has proposed holding defence spending level in 1990 in real, inflation-adjusted, terms. This compares with a 2 per cent real term rise projected in the Reagan budget. However, a rise of more than $250m in spending on education, or 10 per cent, has been suggested above the levels proposed in the Reagan budget.

Moreover, an increase of roughly $350m has been proposed for cleaning up deteriorating nuclear weapons plants over the total of $1.4bn called for by former President Reagan.

President Bush has proposed restoring most of a $1.7bn cut in the Medicaid programme of medical assistance for the poor but has accepted a $5bn reduction in Medicare assistance for the disabled and the elderly.

Europe, Pacific, US companies form buy-out finance group

By David Lascelles, Banking Editor, in London

NINE FINANCIAL institutions from Europe, the Pacific region and the US are backing a new London-based leveraged finance company which was launched yesterday.

The Intermediate Capital Group (ICG) has resources of £200m ($346m) and will specialise in supplying intermediate finance for buy-outs and similar leveraged deals. This form of finance, also known as mezzanine finance, lies between the two poles of equity and bank lending which are the main components of leveraged transactions.

The institutions are Charterhouse Development Capital, the Industrial Bank of Japan, Prudential Venture Managers, Edinburgh Investment Trust, James Capel, Shearson Lehman Hutton, Westpac, Foreign & Colonial Ventures, and Banque Paribas. They are subscribing £45m of share capital.

In addition, two shareholders, Banque Paribas and Westpac, and three outside banks – the Bank of Scotland, Security Pacific and NatWest – are subscribing £155m of senior debt. ICG will have access to more funds if needed.

The company, whose chairman is Mr Norman Ireland, former finance director of BTR, was formed by six former executives of Chemical Bank and Charterhouse who believed there was a conspicuous gap in the intermediate capital market, in contrast to an abundant supply of equity and loan finance.

Mr Andrew Jackson, formerly of Chemical, said: "It became apparent to us that there was an absence of reliable forms of finance between high risk equity and low risk senior debt." ICG claims to be the first independent supplier of intermediate finance which will also arrange deals in its own right.

The ICG executives maintain that an improved flow of intermediate capital will enable leveraged deals to be better structured. In particular it can help overcome cash flow problems, allow management to retain a larger investment share, and give greater flexibility. They expect their deals to include buy-outs and buy-ins, leveraged acquisitions, privatisations, recapitalisations, employee share ownership plans and development capital.

The finance might be put up in the form of subordinated loans, equity warrants, preference shares or zero coupon bonds. The company is looking for returns on its investments of between 17 and 30 per cent.

One aim of the group is to expand into Europe where leveraged finance activity is still in a relatively early stage. Although the group has only one European backer, Banque Paribas, it is hoping for more.

The establishment of ICG marks a further step in the gradual evolution of the European leveraged finance market, which is trailing the market leaders in the US. Although many banks and institutions are active investors, few are major players in the intermediate market, principally 3i Group and General Electric Capital Corp, which are active across a broad front. Standard Chartered has also set up a mezzanine investment fund.

The growth of the market was underlined this week with the completion of another London-based mezzanine financing group, First Britannia Mezzanine. This was organised by Drexel Burnham Lambert, the Wall Street investment bank which pioneered the junk bond market, itself a form of mezzanine finance. Like ICG, First Britannia will also have £200m in financial resources, provided by 30 unnamed backers. But

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Test for the businessman with the golden touch

In spite of the legal and political battles being waged by Alan Bond, Australia's controversial entrepreneur, he has the air of a man with "no worries"
Page 4

West Germany's inflation rate exceeds forecast

By David Goodhart in Bonn

THE WEST GERMAN statistics office yesterday announced the highest monthly inflation rate since June 1984 as well as the highest ever annual trade and current account surpluses.

None of the data was unexpected although the January inflation figure, which took the annual increase to 2.6 per cent, was slightly higher than earlier estimates. It was influenced by the recent increase in consumer taxes. By comparison, inflation in 1988 as a whole was only 1.2 per cent.

The December trade figures also outstripped some expectations leaving an annual trade surplus for last year of DM128bn (DM118bn in 1987) and a current account surplus up from DM80bn to DM85bn.

With the West German Government expecting no change in the surpluses this year and some independent analysts, such as Phillips and Drew in London, expecting a small rise to DM142bn in the trade surplus and close to DM100bn in the current account, pressure for a European Monetary System realignment may once more increase.

The West German surplus has been sharply rising with other EC countries – especially Britain, France and Italy – while falling with the US. The US surplus actually fell from DM24.3bn to DM16.6bn in 1988 with exports falling 8.4 per cent and imports rising 13.7 per cent.

In the first 10 months of 1988 the surplus with the EC rose to DM66.8bn (DM50.9bn). In total for 1988 imports were up 6.3 per cent to DM439.7bn and exports up 5.2 per cent to DM567.8bn.

Using currency adjustment to help correct the growing West German surplus with the rest of the EC has recently been strongly opposed by the French Government, but some analysts believe that an EMS realignment is in the medium-term more likely than a more expansionist fiscal policy in West Germany.

However, as West German exports are concentrated in relatively price insensitive capital goods a realignment may have less effect than hoped. The last EMS realignment was nearly two years ago.

Fiat drives hard for bigger share of Europe's market

By John Wyles in Rome

BEHIND THE casual, almost careless, shrugs, there is more than a touch of irritation at Fiat Auto's Turin headquarters at the recent controversy as to whether the Italian group or West Germany's Volkswagen captured the top slot in the European car market last year.

If pressed, Fiat executives will concede generously that VW sat beside them at the summit in 1988; indeed, they will acknowledge gallantly that out of a market of 12.91m cars the sales gap between the two was maybe 12,000, maybe 20,000 vehicles.

But if the 12,000 difference was to VW's advantage, Fiat claims it was because VW included Porsche cars assembled by Audi and passenger-carrying vans to reach its total of 1.942m.

Take out the vans, and Fiat says it headed VW by 20,000. Nonsense, said a VW spokesman yesterday, Porsche cars are in Porsche's sales figures not VW's, while vans kitted out for up to nine passengers are defined as passenger cars in West Germany.

Aside from this little statistical spat, last year was an *annus mirabilis* for Fiat Auto which, when the consolidated figures are published, is likely to have contributed 60 per cent or more of the Turin group's record operating profits of L3,820bn (£1.6bn).

While some analysts have been forecasting a fall of up to 10 per cent in the European market this year, Fiat is expecting total demand to finish around the same level as last year.

Mr Paolo Bernardelli, Fiat Auto's sales director, believes that demand for new cars in Italy and Europe may have settled at a higher plateau because "the car is becoming more and more an individual asset and each family wants more mobility than can be offered by just one vehicle." He also thinks the changing international environment and particularly the strengthening of East-West detente – "the prospect of global peace," he calls it – is influencing consumer attitudes.

If he is right, this will be a comfortable market background against which to push ahead with a commercial strategy aimed at building up Fiat Auto's sale outside Italy as quickly as possible.

No other European manufacturer dominates its home market as does Fiat with its 60 per cent of total sales, but neither is any as consequently vulnerable to import penetration.

The Italian company, like its French counterparts, has not yet had to battle head-to-head with Japanese rivals on its own turf thanks to quota restrictions which last year limited Japanese sales to just 1 per cent of the domestic market. Italian deliveries accounted for 58 per cent of total Fiat, Lancia and Alfa Romeo shipments worldwide last year, while the company's largest share of any other single European country is the 17.9 per cent taken in the relatively small (212,139 units) Portuguese market.

Maximum effort is being put behind two objectives: developing and strengthening the dealer network and after-sales service, and overcoming the lingering doubts in some markets about the quality and reliability of Fiat cars.

On this last point the company believes itself to be totally competitive but, as Mr Bernardelli points out, a new car is an infrequent consumer purchase, and it can take several years to regain a dissatisfied customer.

Nevertheless, some progress is being made. In the UK, where Lancia sales were virtually wiped out at the end of the 1970s by recurrent rust problems, deliveries of this marque last year rose from 3,489 in 1987 to 4,072. Sales of the Fiat badge climbed from 68,576 to 75,113.

Meanwhile, the company's nursing of its dealer network is now particularly attentive. Individual dealer sales and profitability are closely monitored and elaborate attention is being given to standards of after-sales service.

The West European network will be expanded by another 150 dealers this year, despite the fact that, says Mr Bernardelli, the competition for prime city sites is becoming extremely sharp.

Fiat believes that its attention to the quality of dealer services is a winning card in relation not only to the European competition, but also the Japanese.

Ciampi tries to focus politicians' eyes on dark economic skies

ITALIAN MINISTERS and parliamentarians went about their daily tasks yesterday apparently quite untroubled by yet another warning from Mr Carlo Azeglio Ciampi, the Governor of the Bank of Italy, that the nation's economic skies are continuing to darken and that immediate action must be taken to curb domestic demand and reduce government spending, writes John Wyles.

While many ordinary Italians were understandably more preoccupied by the air crash in the Azores, the body politic was devoting much of its vocal energies to such pressing matters as a sudden outbreak of affection between the Communist and Socialist parties and the absorbing, if scarcely comprehensible, barn dance being staged by the Christian Democratic party. When music stops at the party's congress next Saturday, Mr Ciriaco De Mita, the Prime Minister, may find his leader's throne occupied by another.

In between fevered consultations with party friends and factional enemies, Mr De Mita is trying to give an impression that government has not completely ground to a halt. His aides stress that work is pressing ahead on plans to reduce spending on health, pensions, transport and public sector wages.

Mr Ciampi has been delivering regular warnings about the dangers of rising government deficits since 1984. Each year his language is a little stronger, his warnings more explicit. But each year the Italian economy has expanded satisfactorily to the extent that last year's growth rate was the highest this decade.

Undeterred by the previous ineffectiveness of his strictures, Mr Ciampi told a parliamentary committee on Tuesday that "a precious opportunity" had been lost last year to mount a credible attack on a budget deficit which is 11.5 per cent of gross domestic product and a total indebtedness which virtually equals GDP.

Instead, the 1988 deficit turned out to be L124,000bn (£52bn) or L10,000bn higher than targeted, while this year's budget shortfall would be above L130,000, against a target of L117,350bn. Public spending, said Mr Ciampi, was now running out of control and strong reforms were urgently needed. Demand in the real economy also needed to be restrained to halt a recent upward rise in inflation which was approaching an annual rate of 6 per cent.

In the absence of political decisions, the Bank of Italy would have little alternative but to push interest rates even higher – in the full knowledge that the L83,000bn (in 1988) cost of debt servicing would climb steadily, that output may be reduced and that the lire's exchange rate - already unwelcomely steep for Italian business - would strengthen.

Police storm pickets at French jail

POLICE in riot gear yesterday fired tear gas and charged hundreds of prison officers picketing the gates of France's largest jail, at Fleury-Merogis, to clear the way for prisoners to be taken to court, Reuter reports.

At the same time the warders' protest over penal reform proposals spread to prisons throughout France.

"If the police carry on like that the action will only get stronger," said a union official at Fleury-Merogis, where up to 5,000 remand prisoners are held.

"We used strictly minimum force. The only result was a few bruises on either side," the chief prison administrator Mr Jean-Pierre Dintilhac.

Jennifer Monahan adds: The warders are forbidden from striking, and their union leaders were insisting yesterday that the action did not constitute a work stoppage. "The prison is functioning normally inside," said one officer. "If you interrupt men's visits, don't give them their tobacco or anything like that, you'd have them all on the roof."

However the Justice Ministry has made it clear that it will not tolerate the disruption of court procedures by the obstruction of prisoners' movements.

When protests by prison officers erupted last October, special overflow cells had to be opened for defendants locked out of prisons.

All the major clashes so far have been between prison officers and police escorting the vans carrying prisoners into the jails. "It is the forces of order against the forces of order," commented officers at Fleury.

A visitor leaving Fleury yesterday said there had been talk of riots among the prisoners.

Leadership in this dispute, which first erupted in September, has tended to be from the bottom up. This is probably one reason why the unions are taking a tough stand now.

Meanwhile a report of the government mediator, Mr Gilbert Bonnemaison has been rejected out of hand by the warders.

Swedish fighter 'showed earlier instability'

THE PROTOTYPE Swedish fighter which crashed on test last week had shown signs of instability on earlier flights, the chairman of an official inquiry into the accident said yesterday, Reuter reports from Stockholm.

Mr Lars Forssberg told a news conference that pilots who flew the JAS-39 Gripen on five test flights before the crash had noted that it was unstable when making lateral movements. He said of the crash: "The disturbances were too great. The wobbles just could not be controlled."

The committee, which has yet to present its final report, said further detailed investigation was needed to determine the source of the problem.

The Gripen, Sweden's most expensive military project, was already two years behind schedule and more than $1bn over budget before the accident, which destroyed the only prototype so far operational.

A single-seat multi-purpose fighter, the Gripen is equipped with a digital control system, under which computers are supposed to compensate for the aircraft's built-in instability.

Better use of EC foreign aid urged

By Robert Mauthner, Diplomatic Correspondent

THE SUBSTANTIAL aid given by the European Community to its 66 African, Caribbean and Pacific associated countries (ACP) should be used more effectively to help the recipients achieve sustainable economic growth and build up their industries, Mr Christopher Patten, British Minister for Overseas Development, said in London yesterday.

He also emphasised that the ACP countries should take greater advantage of what he described as "the most liberal trading regime on offer to any group of developing countries by any industrialised partner."

The minister was speaking ahead of next week's EC-ACP ministerial meeting in Brazzaville, part of the Lomé agreement renegotiations, which began last October.

It was not surprising that trade was high on the Brazzaville agenda, since it was a much more important source of foreign exchange for the ACP than aid, with a ratio of 3 to one, he said. The expansion of this trade was essential to sustain the required economic progress in the ACP countries.

In the first place, ACP exports had to become more competitive. "Even with free access in a free world trading system it is no good if you cannot produce goods and services which people want to buy at competitive prices," Mr Patten said.

In this context, he underlined the importance of a vigorous and flexible private sector with adequate incentives and the right economic policy environment. That also meant that the ACP countries should pursue sound policies to control inflation and ensure that their exchange rates and trade regimes encouraged exporters.

An economic climate which demonstrated the potential for sustained growth was the best way of attracting foreign investment.

Mr Patten stressed that there was no question of a "Fortress Europe" after the creation of the EC single market in 1992. The latter would provide increased opportunities for ACP exports.

Nor should the ACP countries fear the reduction of trade barriers under the Uruguay Round of international trade negotiations, which should ultimately lead to an expansion of world agricultural trade.

Mr Patten opposed any extension of ACP membership to Haiti and the Dominican Republic. They did not have the close links the other ACP members had with EC countries. If they were admitted, the precedent would open the association agreement to an large number of countries.

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EUROPEAN NEWS

Solidarity's envoy persuades the Belchatów strikers to go back to work

Polish miners signal dislike of market solutions

By Christopher Bobinski recently in Belchatów

ECONOMIC reformers in Poland, in the government camp as well as the banned Solidarity union, have received a powerful warning against moving too fast towards full-blown market solutions to the country's problems. It has come from workers at the Belchatów open-cast coal mine who ended a three-day strike there in the early hours of yesterday morning.

In effect, the 12,000-strong workforce, who supply 37m tonnes of brown coal a year to one of Europe's largest conventional power stations nearby, have shown their suspicion of growing wage differentials and resistance to mounting inflation.

The strike blew up in protest against a wage agreement signed by the official local union which gave higher paid groups larger percentage increases, while the lower paid benefited less.

It came as the Government and Solidarity embarked on a series of "round-table" talks aimed at returning the union to legal status and at the same time setting in train reforms to boost efficiency and ease the country's economic plight.

But the Belchatów workers clearly wanted more equality. This was partly a reaction to management commonly favouring its own Communist supporters but also reflected deep-set traditional ways of thinking.

It is to Solidarity, not market mechanisms, that these workers are looking to wrest promises of economic improvement coupled with social justice from the Government. The Communist party's prestige is at rock bottom, irrevocably it seems. This is ironic, for it is the authorities themselves who set in train the industrialisation process which brought so many of these workers off the farms and on to the shopfloor.

The official union's credibility is also minimal, although it has now hoisted the populist banner high to face the growing challenge from Solidarity.

At Belchatów, the strike was mainly in the hands of young Solidarity supporters, loyal to Lech Walesa, and who were members of the union in 1981 when it was still legal. Some, like Mr Zbigniew Matyjaszkiewicz, spent time in prison for union activities

By the mid-1980s a mere 200 supporters were still paying union dues at the plant, but now the movement has revived with a vengeance, recruiting 2,500 members during the first day of the strike.

Nevertheless, the stoppage was an embarrassment to Solidarity's national leadership, and Mr Aloyzy Pietrzyk, a 37-year-old miner who emerged as a leader during last August's industrial unrest, was duly sent down by Mr Walesa to bring the strike to an end.

It took him and local activists from nearby Lodz more than 24 hours to persuade the management to agree to renegotiate the pay agreement and the workers to come down from the Zl 30,000 (£33) a month interim payment they were demanding to match inflation in the meanwhile. Last year, the average monthly wage at the mine reached Zl 73,000.

All the while, Mr Pietryzk was having to answer telephone calls from the Solidarity team in Warsaw, worried that the strike had been provoked by party officials keen to torpedo the round-table talks and anxious to have it brought to an end.

Thanks to his rhetorical abilities and the workers' fatigue, he finally managed to get them to agree to an interim payment of Zl 21,000, somewhat less than the management had been ready to offer. He even persuaded them to support a resolution calling on workers elsewhere not to strike for more pay at the moment – a move which will no doubt have been greeted with relief by the Government.

SOLIDARITY and the Polish authorities yesterday opened formal talks on returning to legal status the free trade union which was banned in 1981 under martial law, writes Christopher Bobinski.

At the meeting, Mr Alexander Kwasniewski, a government minister, reiterated that the principle that more than one union should be permitted to function in a factory had now been conceded by the authorities.

He warned, though, that agreement on Solidarity's return was linked to an accord about forthcoming national elections through which the Government wants the union to enter Parliament in a minority role.

Solidarity for its part demanded that it be re-established as a national union at one stroke, foregoing a gradual reconstruction.

Mr Lech Walesa, the Solidarity leader (pictured right), who attended the start of the talks, later left for the south of the

country and meetings with workers in Krakow and Bielsko Biala as well as a visit to Poland's national shrine at Czestochowa. Before leaving he told official Polish radio that he thought workers at presnet should refrain from striking and give the round-table talks a chance.

Koskotas move voted down

By Andriana Ierodiaconou in Athens

GREEK SOCIALIST parliamentary Deputies yesterday vetoed for the second time this month an opposition proposal to send a parliamentary delegation to the United States to question Mr George Koskotas, the former banker who is in custody there.

Mr Koskotas fled to the US after being charged with fraud last October in a scandal which rocked the Greek Socialist Government.

Meanwhile, a furious debate continued yesterday over allegations of a secret meeting in Rome in 1985 between Mr Andreas Papandreou, the Prime Minister, a friend of his, Mr George Louvaris, who has since been implicated in the Koskotas affair, and an Egyptian businessman who at the time faced charges of fraud and was barred from entering Greece.

The burning question was: did Mr Louvaris confirm that the meeting had taken place in testimony before a parliamentary fact-finding committee on the Koskotas affair last Tuesday?

Mr Louvaris was forbidden to leave Greece and charged last week with receipt of criminal proceeds on the basis of testimony that he had received money from Mr Koskotas packed in a box of disposable nappies. He has sued the two people who gave the testimony – both former bodyguards of Mr Koskotas.

The alleged Rome meeting was reported at Tuesday's hearing by the independent Deputy, Mr Gerassimos Arsenis, a former member of the Socialist party who was Economy Minister in 1985.

Greek press reports based on leaks claimed Mr Louvaris initially confirmed the meeting but reversed his testimony later in the day. However the committee chairman, a Socialist Deputy, denied the reports.

Czechoslovak party accuses 'terrorists' of bomb attack

A BOMB severely damaged the town hall in Usti nad Labem, close to Czechoslovakia's border with East Germany, the Communist party daily newspaper, Rude Pravo, said yesterday, Reuter reports from Prague. It did not say if there were casualties from the explosion on Wednesday.

It called the bomb attack a "terrorist action" and followed several anonymous threats to blow up public buildings, department stores and schools in northern Bohemia.

"We shall not conceal the fact that there are forces in Czechoslovkia which will never reconcile themselves to our social system," the report said.

Usti nad Labem, an industrial town about 100 miles north of Prague, is the capital of the north Bohemia region.

In the past few weeks the official media have published reports of anonymous threats to the authorities following five days of demonstrations in central Prague last month which were broken up by police. They commemorated the 20th anniversary of the death of student Jan Palach, who set fire to himself in Prague's Wenceslas Square in protest at the Soviet-led invasion of Czechoslovakia in 1968.

Swedish Socialists braced for bitter wind of change

Robert Taylor on a party battling with reform

THE ruling Swedish Social Democrats are in the midst of their own *glasnost* about the future of the party's ideology, which is turning into a debate about fundamental principles.

This has urgent relevance for the rest of the European democratic left in what is the hundredth anniversary year of both the Socialist International and the Swedish party.

At the end of April Willi Brandt, Bruno Kreisky, Neil Kinnock and other leading figures gather in Stockholm for the joint celebrations and they are fervent admirers of the Swedish road to Socialism.

But over recent weeks a serious discussion has started among the Swedish Social Democrats about what the party really stands for. It began on 2 January when the editor in chief of the LO union-owned evening newspaper, Aftonbladet, Mr Rolf Alsing, wrote a lengthy and critical article expressing anxiety about what he sees as the growing influence of economic liberal ideas inside the party, powerfully exemplified by the Minister of Finance Mr Kjell-Olof Feldt and the young free-wheeling Turks in his department.

"I wanted to send out a message to the government to be careful about embarking on rapid changes," says Mr Alsing. "It was also an attempt to calm and reassure rank and file party members."

In fact, Mr Alsing's seminal article has triggered off a stream of pieces about the future of Social Democracy, which mainly reflect an undercurrent of genuine alarm about the direction in which the party leadership appears to be heading.

Yet until last week the irrepressible Mr Feldt seemed to be in an unchallengable position in his determined drive to turn Sweden into a more market orientated economy despite the doubts of Mr Alsing and his supporters.

However his senior cabinet colleague Mr Sten Andersson, the foreign minister, broke ranks with an article in the party's newspaper Arbetet that was a passionate defence of the values of the welfare state and attacked those in the party who believe people who can should pay for their own benefits.

A former secretary of the party, a veteran Socialist with an impeccable working class background, Mr Andersson has acquired a growing international reputation since the murder of Olof Palme nearly three years ago, symbolised in December by his role as the honest broker seeking to reconcile Mr Yasser Arafat's PLO with sympathetic Israelis.

An internal debate on the economic direction of one of Europe's oldest Socialist parties has triggered demands for new policies and reform

Alongside Mr Feldt he is one of the two strong men in the Swedish Government and the fact that he decided to voice his concern at what is going on at the Ministry of Finance is a clear indication that Mr Feldt has a battle on his hands if he tries to push too far in a liberal market direction, which threatens to undermine basic Social Democratic principles.

"Right-wing ideas have got a foothold inside the party," wrote a worried Mr Andersson. He pointed out that when he travelled abroad he kept being told by those he met that they wanted to learn from the Swedish model but when he came home he was bewildered to find he was being asked by people whether the party was still Socialist or not.

In his view Social Democrats have a clear vision of the more just and better society they wish to create.

He reinforced his message by closely identifying it with the party's leader in the nineteen thirties Mr Per Albin Hansson, who spoke of creating a People's Home in Sweden based on solidarity and equality in a democratic society.

This reaffirmation of traditional Social Democracy with its belief in the welfare state for all, strong unions and social equality, from such a senior figure inside the government suggests there is a clear limit on how far Mr Feldt can go in turning Sweden into a more efficient, individualistic market economy without running into real trouble within his own party.

However, Mr Andersson is not a narrow-minded dogmatist. Indeed, like most Social Democrats he believes the pragmatism of the party explains why it has had such astonishing success in running the country for most of the past fifty years.

He remains convinced, however, that the party cannot make an ideology out of merely running capitalism more efficiently.

His article has brought the inner party debate about the future economic management of Sweden out into the open. The bitter attack on the big companies and the banks in last week's general debate in Parliament by Mr Feldt suggests that he is anxious now to reconcile doubters in his own party, who fear radical change.

Moreover, last weekend it was revealed that a controversial discussion paper from the Ministry of Finance on the future of the public services had been withdrawn for reappraisal after pressure from within the party.

Mr Feldt has promised to submit his plans to make Sweden's huge public sector more efficient in his supplementary budget in the late spring.

Another indication of how the debate inside the Social Democrats is developing will appear in the early summer with the publication of the party's own analysis of its ideological future is to be published in the preparation for its conference next year, which will set the agenda for the nineteen nineties. This should give a clear sign of how the Feldt and Andersson strands inside the party are to be balanced.

The current discussion is bound to become much less abstract as Social Democrats seek to marry principle with practice, an exercise they have performed successfully so often in the past.

Koor deal on debt repayment lifts liquidation threat

By Andrew Whitley in Jerusalem

THE THREAT of compulsory liquidation hanging over Israel's Koor Industries, the largest industrial conglomerate in the Middle East, was lifted yesterday following agreement in London on a debt repayment schedule for the company's bank creditors.

Koor said that on Sunday all parties to the dispute would notify the Tel Aviv District Court that agreement in principle has been reached.

A request will then be made by Bankers Trust of New York to withdraw the liquidation application it filed last year following the Israeli group's failure to repay a $20m (£11.47m) loan on time.

Concessions by the three major Israeli banks – Bank Hapoalim, Bank Leumi and Israel Discount Bank – who together hold two thirds of Koor's $1.27bn debt, paved the way for an end to the four-month-long crisis which has virtually paralysed operations at Koor.

In accordance with their demand, priority on the repayment of short-term debt will be given to the foreign creditors, who include Bankers Trust and Manufacturers Hanover, Barclays, and several Austrian and South African banks. Repayment will commence in 1990 and be spread over a three-year period.

One Israeli banker insisted last night that concessions had been made by both sides. Nevertheless, the local banks – already saddled with a hefty write-off equivalent to over $100m on their 1988 books – will have to wait a further two years before seeing any of their money back.

A Koor spokesman confirmed that the overseas banks had reacted critically to the early start the group has made in disposing of its assets without the supervision of the creditors.

They reportedly insisted on participating in the decision-making process. A supervisory committee of Israeli and foreign banks will be established to monitor progress made on Koor's medium-term recovery programme.

The creditors' agreement is expected to be followed by a $50m injection in new equity capital from the Israeli Treasury into Koor's depleted balance sheet.

This should enable the troubled group to close its 1988 books with its debt/equity ratio on the right side of a critical threshold set under the terms of a 1986 debentures issue in the US.

Bond tested as businessman with the golden touch

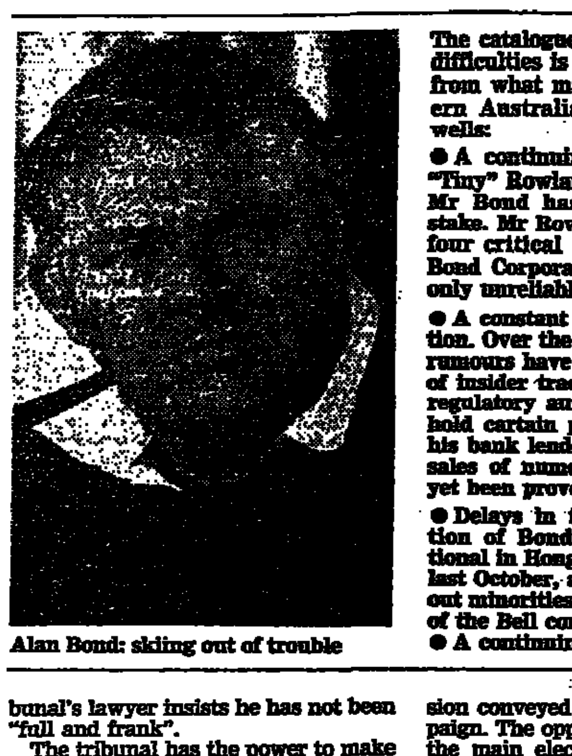
Chris Sherwell on the legal and political battles being waged by Australia's controversial entrepreneur

FOR a man reputedly under intense pressure, the entrepreneur Mr Alan Bond was this week displaying his best Australian "No worries" air, skiing in Colorado rather than standing by in Perth or Sydney, where the action was.

In Western Australia, the state Labor government was fighting, successfully as it turned out, to retain power in an election which many said it could not possibly win. In the campaign Mr Bond decided he had enough riding on the outcome to go on his own television network and endorse Labor's leader, Mr Peter Dowding.

In Sydney, the Australian Broadcasting Tribunal was hearing last submissions from Mr Bond's lawyer in its inquiry into his fitness to hold radio and television licences. The tribunal is investigating three controversial incidents reflecting on Mr Bond's integrity and is due to pronounce on whether he has a case to answer shortly.

Yet this week Mr Bond was up in the snows – in touch regularly, of course, thanks to modern telecommunications, but in the Rockies none the less.



Alan Bond: skiing out of trouble

The catalogue of Bond Corporation's difficulties is formidable, quite apart from what may yet emerge in Western Australia in relation to Rothwells:

- A continuing onslaught from Mr "Tiny" Rowland of Lonrho, in which Mr Bond has built up a sizeable stake. Mr Rowland has now released four critical documents suggesting Bond Corporation's finances are not only unreliable but shaky.
- A constant need to rebut speculation. Over the past two months alone rumours have had him dead, accused of insider trading, judged by certain regulatory authorities to be unfit to hold certain positions, cut adrift by his bank lenders, and making forced sales of numerous assets. None has yet been proven true.
- Delays in the proposed privatisation of Bond Corporation International in Hong Kong, first announced last October, and problems in buying out minorities in J.N. Taylor, another of the Bell companies.
- A continuing battle, in and out of court, with the Fairfax newspaper group, settled at last this week.
- An attack on his extensive brewing interests in Queensland, where a local company, Power Brewing, has snatched a significant share of the market after going public last year.
- A persistently weak share price. This week, Bond Corporation stands at A$1.65, well below its 12-month high of A$2.35. According to a list of almost 50 "entrepreneurial" groups studied by the Stock Exchange's research service, Bond Corporation is the only one with a negative net tangible asset backing.
- A lowering of Bond Corporation's modest credit rating from BB minus to B, by the country's best-known credit agency, Australian Ratings.
- Problems in Chile springing from his control of the country's telecommunications monopoly.
- A weakening bullion price which, together with a strong Australian dollar, is making his extensive Australian gold interests look less attractive.

An American ski resort seemed an odd place to be, but then his pressing problems form a long list and are probably worth escaping for a while.

Take the tribunal. It is investigating Mr Bond's payment of A$400,000 (£203,665) to former Queensland premier Sir Joh Bjelke-Petersen in an out-of-court settlement to halt a defamation action against one of his television stations.

It is also examining his alleged threat to expose on his network the share dealings of Australia's largest institutional investor and the submission of faked news tapes to a radio licence hearing.

Mr Bond says the matters have been answered satisfactorily. The tribunal's lawyer insists he has not been "full and frank".

The tribunal has the power to make him sell his broadcasting interests. Such a decision would remove an important cornerstone of an empire that extends across the world into brewing, resources and property.

The outcome of the Western Australian election was less palpably a problem. Realistically, it had to be assumed that a pro-business government of the Liberal and National parties and the state's most powerful businessman would inevitably find it necessary to deal with each other sensibly.

That, however, was not the impression conveyed by the four-week campaign. The opposition made "WA Inc" the main election issue, relentlessly attacking Labor's involvement in business and with certain business friends over a period of six years.

It labelled Mr Bond "joint managing director" of "WA Inc", and zeroed in on the close relationship of both the Government and Mr Bond with Mr Laurie Connell. He headed Rothwells, the now-infamous finance house which, despite the injection of more than A$600m, eventually collapsed in ignominy last November.

Mr Bond's vulnerability was clear. In October 1987, it was he who persuaded the government and a group of Australia's most prominent businessmen to become involved in an ultimately abortive bail-out of Rothwells.

Last year he again persuaded the Government to join him in buying Mr Connell's unsuited and controversial A$1bn petrochemical plant project.

As the campaign wore on, a Labor defeat seemed to promise Mr Bond a heap of unwanted problems. The opposition promised to scrutinise the property, share and other dealings of government agencies such as the State Insurance Commission and the West Australian Development Corporation, and to "dismantle WA Inc" by shutting down some agencies and removing "political" appointees in senior public positions.

Such plans put a big question mark over the Government's continued involvement in his petrochemical plant, over the shareholdings of the Insurance Commission in Mr Bond's Bell Group and his "West Australian" morning newspaper, and over his property development plans in various parts of Perth and on the offshore island of Rottnest.

A public slanging match between Mr Bond and Mr Barry MacKinnon, the opposition leader, did not help. Mr MacKinnon alleged that Mr Bond had threatened him when he refused to back the first Rothwells rescue. His party accused Mr Bond of funding Labor's campaign, and of backing Labor through his nationwide television network and his newspaper.

Mr Dowding, for his part, insisted before and during the campaign that "WA Inc" was dead, and promised greater accountability to prevent a repeat of past mistakes. He also insisted that he had never asked for Mr Bond's endorsement, which, he admitted, had caused unnecessary trouble.

"WA Inc" ended up being politically embarrassing and financially costly to Labor. But it did not stop the party's return for a record third term. Neither Mr Bond nor Bond Corporation have since made any public pronouncement. But if they are delighted, the outcome has not ended, or necessarily eased, their problems.

Few Australian businessmen can have come so relentlessly under such pressure from so many different directions in such a concentrated time.

Mr Bond is under siege and the arrows are flying. It will be remarkable if he and his talented executives keep them all out. The question is whether any could prove fatal.

Delhi in call for Westland inspection

By David Housego in New Delhi

THE Indian Government yesterday called for an inspection of the tail rotor drive systems of British-supplied Westland helicopters after preliminary inquiries suggested a crash which killed three people on Tuesday was caused by a broken rotor shaft.

The Government also directed Pawan Hans, the company operating the Westlands in India, to review its maintenance procedures.

The crash occurred in the remote north-east province of Nagaland. It is the second crash of a Westland W-30, supplied to India under a British aid package, in less than eight months and reduces the W-30 fleet in India to 19.

Mr Roy Moxam, Westland's operations director in India, said yesterday that the Directorate General of Civil Aviation (DGCA), the office conducting the official inquiry, had not as yet been in contact with Westland. "No-one has said anything to us," he said. He and a colleague were due to fly to Kohima, the capital of Nagaland today, after getting government permission to enter an area normally banned to foreigners.

The DGCA said yesterday that preliminary investigations showed that the tail rotor drive shaft had not been rotating when the helicopter crashed and that it had been found broken. The pilot is said to have attempted an emergency landing after finding a defect in the tail rotor.

Westland said last night that there were no previous reports of trouble with the rotor shaft and that the W-30 was an updated version of that used on the Lynx.

The W-30 has been a source of controversy in India both at the time of its acquisition and because of subsequent alleged malfunctionings.

30 Indonesian Moslems killed by troops

AT LEAST 30 people have been killed after Indonesian troops attacked Moslem radicals in the province of South Sumatra earlier this week in the country's worst religious violence in over four years, writes John Murray Brown in Jakarta.

A military official yesterday described the clash as "unavoidable" after radicals, apparently armed with Molotov Cocktails and swords, had taken police and army hostages, attacked an isolated army post and killed four soldiers.

General Tri Sutrisno, the armed forces commander, yesterday swiftly issued an "appeal for calm to maintain vigilance and national unity". Indonesia is the world's most populous Islamic country, with Moslems making up 90 per cent of the 175m population.

Reports of the incident remain sketchy. But according to officials it was staged by a previously unknown group calling itself the Commando Warriors of Allah. Officials said the group used religion as a cover and had acted contrary to Islamic law. The group's leader, who was killed in the fighting, had publicly attacked Pancasila, the state ideology.

Pancasila effectively guarantees freedom of worship without turning Indonesia into an Islamic state. It is resented by more radical Moslem groups.

Since 1985, two Moslem radicals have been executed.

Chinese attacks on Mao grow

CHINA has edged nearer a more thorough condemnation of Mao Zedong the founding father of the communist state with the publication of an article in the Guangming Daily which declares that he "committed very big mistakes indeed in his later years", Colina MacDougall writes. This article is an abridged version of the preface to a new book on Mao.

In 1981 the Communist Party produced a resolution on Mao which, in effect, said much the same, but apart from that document his responsibility for the twin disasters of the Great Leap Forward and the Cultural Revolution is mostly overlooked. This is because the ruling party's legitimacy springs from Mao as victor in the civil war, and the present senior leader, Deng Xiaoping, was his close associate.

Iraq ready to resume talks on Gulf War

IRAQI Foreign Minister Tariq Aziz said yesterday he was ready to resume face-to-face negotiations with his Iranian counterpart, Reuter reports from the United Nations.

Mr Aziz was speaking at the start of talks with with Mr Javier Perez de Cuéllar, the UN Secretary General. "We are prepared for substantive talks...but it depends on the other side," he said.

"That's what we agreed to have. The question of the place is not a big problem," he added, alluding to the fact that two previous rounds of negotiations with Iranian Foreign Minister Ali Akbar Velayati took place in Geneva. Their last meeting was in November.

Asked if he was ready to hold direct talks in New York, where he met Mr Perez de Cuéllar yesterday, Mr Aziz replied: "Yes, why not?". The Iraqi minister also dismissed an announcement earlier by Mr Velayati in Madrid that Iran would shortly release 260 wounded Iraqi prisoners of war. Mr Aziz said Tehran was "bargaining in human flesh."

"They should have released more than that number," he said, while welcoming the release of any prisoners.

The actual numbers of sick and wounded held by each side had to be taken into account, he added, refering to the larger total held by Iran.

In their talks in Geneva after the Gulf ceasefire was declared last August the two foreign ministers made little progress in implementing the other elements of a peace plan – resolution 598 – adopted by the Security Council in July 1987.

These include a troop withdrawal to internationally recognised boundaries, the exchange of about 100,000 prisoners of war held by the two sides, establishment of an impartial body to assess responsibility for the eight-year conflict, and the resolution of all outstanding issues between the two neighbours.

Iran wants priority given to the withdrawal of Iraqi troops from Iranian territory they continue to occupy, while Iraq has called for the clearing of the Shatt al-Arab waterway, blocked by silt and war debris.

Sharon urges EC to oppose Arab boycott

By Victor Mallet

ISRAEL IS pressing the European Community to introduce legislation which would prevent European companies from yielding to Arab boycott measures, Mr Ariel Sharon, Israel's Trade and Industry Minister, said in London yesterday.

Mr Sharon, at the end of a European tour focusing on Israel's relations with the Community in the run-up to 1992, said there were many large corporations without links to Israel, although he acknowledged it was always difficult to prove that this was the result of Arab pressure.

The Arab League's boycott office in Damascus keeps a blacklist of companies with close Israeli connections, and the League's members are not supposed to have dealings with them.

"We do ask that there will be legislation that will make it impossible to impose a boycott on European corporations," Mr Sharon told a news conference. Israeli officials point to the US and France as countries which already have regulations designed to prevent companies from giving in to Arab pressure.

Mr Sharon expressed guarded optimism about the chances for resolving an Israeli-EC dispute over Israeli textile imports from Europe.

Today's shura seen as last chance for Kabul

Gloom settles over Afghan deliberations

Christina Lamb reports from Islamabad on divisions among the Mujahideen

WITH just five days to go before the last Soviet soldier leaves after over nine years of occupation more than 500 Afghans sit down today to try to agree on the country's future government.

But there is little rejoicing among the Afghans that against all odds they have turned back the second invading power this century. Instead, a contradictory gloom seems to have descended on Peshawar, the Pakistani border town in which the resistance has its headquarters.

The prize it seems is still elusive. Kabul remains in the hands of President Najibullah; the battle seems certain to go on. Although large contingents of the Afghan army are expected to cross sides, attempts to capture the capital have been delayed while guerrilla commanders give the leaders of the seven Peshawar based parties a final chance to produce an alternative to force.

All hopes rest on today's *shura* (consultative assembly) in Rawalpindi. With continuing disputes among the Peshawar seven, the outlook is not good for what a senior Western diplomat describes as "the last chance for Kabul". If it fails Afghanistan will fall into fratricidal bloodshed.

Optimism is fading that pressure of time would force agreement from the seven leaders whose differences are so great that in the past they have even drawn guns on each other.

Every day brings new statements from one of the Peshawar seven criticising or rejecting a statement by another. Party officials, yet to learn the art of saying nothing, leave telephones off the hook, embarrassed that they have no answers for the growing hordes of journalists. "People are expecting specifics when all we can offer is confusion," said one party spokesman.

The *shura* suggestion originally emanated from Pakistan's Foreign Office which envisaged a broad-based council of 60 Afghans, many of whom would be from outside the alliance. The three moderate leaders wanted a bigger gathering to dilute the built-in majority of the four fundamentalist parties so the *shura* grew slowly but steadily to 519.

For once the Foreign Ministry, the resistance alliance and Pakistan's military intelligence (ISI), a key player in Afghan policy, seemed to agree.

However at the first alliance meeting in January to discuss the *shura*, it became evident that ISI had seen in it the opportunity to revive a flagging dream held by the late President Zia to install a fundamentalist government in Kabul, preferably headed by Mr Gulbuddin Hekmatyar. He is a hardliner who has spent the last 15 years in Pakistan supported by ISI, and who is the only leader to have given a guarantee not to raise the highly sensitive issue of an independent Pushtunistan which would take in Pushtun lands currently within Pakistani territory.

Under instruction from General Hamid Gul, the director of ISI who was present at the meeting, Mr Hekmatyar, provoked a storm by suggesting that the first and only function of the *shura* should be to approve the proposed interim government of Mr Ahmad Shah which had been announced in June and subsequently forgotten, being widely considered completely unrepresentative.

Two of the parties walked out in protest but the third moderate party remained encouraging Gen Gul to think he had increased the four-three majority of the fundamentalists to five-two. Now all he had to do was ensure most of the 60 names nominated by each party voted the party line.

The Pakistan Foreign office was privately horrified. One senior official said the Ahmad Shah government was "a travesty, representing all the worst folly of the alliance."

For a while they considered stopping the *shura* and investigated ways of engineering a return of the exiled king Zahir Shah from Rome. However they realised that if the *shura* did not take place a worse fate could be in store for Afghanistan with Gen Gul still advocating a military solution.

Moreover Gen Gul was making progress in securing the support of some moderates by promising one, Mr Sibghatullah Mojadiddi, that he would be head of state and another, Pir Gaylani, that elections would begin among Afghans on the day of the assembly to vote for an elected *shura* which would then have the right to veto the interim government. Nobody has explained yet how Afghans can possibly to go to any sort of polls today.

Foreign office officials and Western diplomats are hoping that the parties will lose control of the *shura*. However, evidence points to the contrary with the seven Peshawar-based parties taking 420 of the 519 seats. Some important tribal leaders are boycotting the *shura*, while leading resistance commanders are unwilling to leave their posts within Afghanistan and so are sending less independent-minded representatives from Peshawar. Just in case there is any room for doubt, all émigrés arriving from Europe and the US are being looked after and lobbied by ISI.

Not everyone is pessimistic however. Although Abdul Haq, the main commander for the resistance in and around Kabul, has little time for the party leaders he has great faith in the Afghan people.

"Nine years ago when we picked up guns no one thought we could defeat the Russians. Now if we pick up pens why shouldn't we be able to form a government?" he says.

Philippines makes US claim over N-plant

By Richard Gourlay in Manila

THE PHILIPPINE Government has presented evidence in a New Jersey court claiming that Westinghouse Electric of the US and one of its subsidiaries bribed former President Ferdinand Marcos in order to secure a contract for a nuclear power plant that has never worked.

"Westinghouse and Burns and Rowe (the designer of the Bataan nuclear power plant) not only bribed President Marcos to get the plant contract but used him as their pawn to obtain unconscionable terms from the National Power Corporation (NPC) of the Philippines," Mr Sedfrey Ordonez, the Philippine Justice Secretary, said the evidence filed on February 8 in the US showed.

The evidence is the first presented since the Philippines sued the US companies last December alleging kickbacks and defects in the construction of the nuclear power plant the cost of which ballooned to $2.3bn.

Philippine officials said the evidence of bribery presented to the court provides sufficient grounds to rescind the contracts between NPC and the US companies, thereby allowing the case to be heard in open court by a jury in the New Jersey court rather than in closed arbitration in Geneva as the contract stipulates.

President Corazon Aquino said yesterday that the evidence formed only part of Philippine efforts to retrieve the construction cost of the plant and damages including the $310,000 a day interest charges now being paid on loans.

The Philippines realistically expects a long legal battle with Westinghouse, its subsidiary Westinghouse International and Burns and Rowe.

"Aside from legal arguments that sustain the court's jurisdiction the Philippines asserts that this kind of evidence should not be hidden in arbitration proceedings," Mrs Aquino said yesterday.

Mr Ordonez said the evidence filed included statements from a former solictor general, Mr Marcos's former executive secretary, who also opposed the contract, a former NPC general manager, a former Burns and Rowe executive and a Westinghouse salesman involved in procuring the contract.

Westinghouse and Burns and Rowe have denied there were any illegal payments. They admit paying $17m to companies controlled by Mr Herminio Disini, a Marcos relative by marriage, but claim that the payments were legitimate commissions.

Lawyers support S African prison fast

By Anthony Robinson in Cape Town

A GROUP of civil rights lawyers yesterday began a two-day symbolic fast to draw attention to the plight of over 200 prisoners on hunger strike in South African jails in protest against detention without trial under the emergency laws.

The hunger strike began 17 days ago at Johannesburg's Diepkloof prison. According to lawyers 20 detainees, some in prison without trial for over two years, vowed to follow the same water, sugar and salt diet of the ten Irish Republican Army prisoners who died in 1981 after a hunger strike in protest against internment without trial in Northern Ireland.

Since then the strike has spread to other jails around the country, including Durban, Witbank and Port Elizabeth and grown into a big test of wills between detainees and the Government.

Mrs Helen Suzman of the Progressive Federal Party opposition warned: "It seems to me we are looking at the ugly possibility of deaths in detention. That is the last thing South Africa can afford."

Two senior government ministers, Mr Adriaan Vlok, the Minister of Law and Order and Mr Kobie Coetsee, the Minister of Justice, yesterday denied that prisoners were maltreated in jail and said the hunger strike would be dealt with "in a humane way." Lawyers said seven of the original 17 had been taken to hospital already and placed on drips.

Mr Coetsee said supporters of the strike were mounting a propaganda offensive to coincide with the opening of parliament.

Mr Vlok told a foreign press briefing: "I don't have enough reason to take them (detainees) to court. But I have enough information that their activities were detrimental to the safety of the public or the maintenance of law and order in the communities where they live." Then he added: "It is impossible to find witnesses prepared to testify in court and according to normal law it is not always possible to find them guilty."

Agencies add: Mr Chris Heunis, South Africa's acting President, yesterday said South Africa's apartheid laws were a stumbling-block to racial harmony and called for their reform.

In a speech which echoed the conciliatory tone of Mr F.W. de Klerk, the new National Party leader, he promised to take the lead in redefining legislation but stopped short of saying race classification was wrong.

Restating a big policy change introduced last year, he said everyone should have the right to live with others of their own race but no one should be forced to do so.

"I believe we can find a definition of groups that would make differentiation possible; but eliminate discrimination; that would ensure group protection, but recognise individual rights," he said.

He did not say the main apartheid laws would be scrapped, but said they should be redefined to eliminate discrimination.

Multinationals warned about violence against Korean workers

By Maggie Ford in Seoul

FOREIGN companies operating in South Korea who use violence against trade unions are likely to face increasing antagonism from workers and the public in general, a senior union leader warned yesterday.

Mr Phee Jong Sun, director of international affairs at the Korean Federation of Metalworkers Unions, said that the use of hired hoodlums to attack trade unionists by US and Japanese companies had focused attention on the activities of multinationals.

Several rallies and demonstrations have already been held in protest at the behaviour of Motorola, the US semiconductor manufacturer, where several people have been seriously injured during a union dispute.

Mr Phee said that his union was receiving strong support from the United Auto Workers in the US and the International Metalworkers' Federation based in Geneva in its fight to establish legal democratic unions.

He believed that the aim of standardised wages wordwide in multinationals was a fair one on the principle that in the long term more profits should be shared with workers.

White collar workers at banks, insurance and financial service companies with foreign ownership in South Korea have also recently formed an umbrella organisation with several thousand members. These professionals agree that in due course they should be paid comparable wages to other staff abroad.

Mr Phee said that the flare-ups of violence had heightened awareness of the need for democratic unions in foreign companies, to contribute to the independence of the country as a whole.

Korea endured a particularly repressive colonial Japanese regime for 35 years until 1945, and the US is increasingly viewed in a bad light by many people who regard it as having supported dictatorial rule.

The union leader predicted, however, that strikes would again decrease this year as unions and employers gained more experience in negotiation. Defence industries, in which strikes are banned, could be hard hit, he said, but noted that managements and unions in public sector companies such as Posco, the steel maker, had developed good relations.

Mr Phee strongly criticised both Government and opposition parties for failing to revise the repressive labour laws drawn up under the former military regime. Foreign employers have also criticised the law which provides little guidance now that the political realities have changed.

A particular problem relates to the issue of whether single or multiple unions should be allowed. At some companies such as the giant Samsung conglomerate, "yellow" pro-management unions have been registered by the company under the present single union rule. Democratic representative unions are thus banned from registering.

Government policy on South Korean labour relations since President Roh Tae Woo took power last year has officially focused on even treatment of both sides, along with encouragement for them to sort out their differences on their own.

But events at the shipyard owned by Hyundai, the large business group, where police are now implicated in a violent attack on union leaders by a group of hoodlums hired by the company, suggest that the policy has been selectively applied. Mr Phee said that workers still felt the Government was trying to repress them.

AMERICAN NEWS

Washington halts talks on sale of S&L institutions

By Lionel Barber in Washington

THE US Government has suspended all negotiations for the sale of ailing savings and loan institutions, and scrapped the policy offering deferred government guarantees and other debt obligations to investors.

The decision means only "legally binding" agreements with investors will be honoured, jeopardising dozens of deals under negotiation before President Bush announced his $50bn (£29bn) S&L industry bailout on Monday.

The new policy was announced by the Federal Deposit Insurance Agency (FDIC), which under the Bush plan assumed control of 200 insolvent S&Ls (thrifts). It bows to Congressional critics who said a number of billion-dollar deals struck last December by the Federal Home Loan Bank Board and its insurance arm (FSLIC) – at that time the S&Ls' regulator – were at best ill-advised.

The deals involved government guarantees and tax breaks to investors such as Ford Motor, and two noted corporate raiders, the Bass brothers of Texas and Mr Ronald Perelman, chairman of Revlon, which committed the board to $20bn future payments.

Under the Bush proposals, the FDIC, which oversees commercial banks, will assume control of the sick S&Ls and manage them until money is approved for their liquidation or sale. The funds are subject to approval by Congress, which may also choose to alter some of the regulatory arrangements proposed by Mr Bush.

The FDIC has indicated that it cannot unscramble the deals which the FSLIC struck at the end of 1988, but it may seek to renegotiate some of the terms.

Separately, a row has broken out between commercial banks and S&Ls over the use by thrifts of the FDIC seal guaranteeing desposit insurance.

Bankers are furious because they understood that the FSLIC and FDIC insurance funds would be separate. The commercial banks do not want to be identified with the troubled thrift industry, but the Bush plan seems certain to drive the two industries closer together.

Teargas used as Jamaicans vote

By Canute James in Kingston

TEARGAS was used to break up crowds as Jamaicans voted in yesterday's general election. But sporadic political violence failed to deter voters, and there were indications of a high turnout in the first contested general election in the island since 1980.

One woman was killed when gunmen fired into a group of voters, bringing the death toll in the campaign to 12. Several people have been injured in party political clashes during the past four weeks.

Just over 1m people were eligible to vote for either the conservative Jamaica Labour Party, led by Mr Edward Seaga, the Prime Minister for the past eight years, and the social democrat People's National Party, led by Mr Michael Manley, a former prime minister. Public opinion polls have suggested a defeat for Mr Seaga.

Soldiers and policemen guarded polling stations, but this did not prevent several cases of attempted fraud.

During the campaign both Mr Seaga and Mr Manley frequently appealed to their supports to remain calm, amid fears that political violence, which has become common to Jamaican elections, would affect voting.

Argentine inflation battle faltering

By Gary Mead in Buenos Aires

ARGENTINE President Raúl Alfonsín's seven-month battle to control inflation seemed to be faltering yesterday as reports emerged that retailers were marking up some consumer goods by as much as 40 per cent, and that inflation for the first week of February reached 4.4 per cent, the highest weekly figure since August 1988.

Shopkeepers suspended their previously ready acceptance of credit cards, following a week in which the local currency – the austral – plunged by almost 50 per cent against the dollar on the black market.

Retailers were reacting to the confusion and suspicion which followed hard on the heels of exchange rate adjustments announced last Monday, under which a free-floating black market rate was re-introduced by an economic team under pressure to stem a variety of structural problems, at least until after presidential elections in May.

By yesterday the black-market austral had settled at 25 to the dollar, against 17 a week ago.

Both retailers and consumers fear that the downward trend of inflation before December bottomed out in November at 5.7 per cent (for the month), and that December's figure of 6.8 per cent and January's 8.9 per cent indicate the failure of last August's emergency anti-inflation package.

Cuban rights group

AN unofficial human rights group, Cuba's fourth, has emerged from the split of the country's oldest dissident organisation, Reuter reports from Havana.

The Marti Human Rights Committee, named after Cuban national hero Jose Marti, announced its creation in Havana on Wednesday night.

The organisation is a splinter group from the Human Rights Committee, originally founded by Ricardo Bofill.

Polyglot city faces racial tensions

Toronto's harmonious image is under threat, reports David Owen

LAST month's Miami race riots struck a chord in wintry Toronto, which is experiencing its own upsurge in racial tension following two police shootings of black men in less than six months.

In August, a 44-year-old male was killed in his bedroom after police responded to a call about a man wielding a knife. Four months later, a 17-year-old suburban youth was gunned down at the wheel of a stolen car.

Manslaughter charges were recently laid against officers in both cases. But this has failed to placate leaders of the city's estimated 260,000-strong black community, who warn of dire consequences if incidents of alleged police bigotry and victimisation continue.

The increasingly tense situation has yet to erupt into Miami-style violence. But it has prompted a bout of soul-searching in this affluent and now admirably polyglot city of 3.4m, which has come to pride itself on its tolerance and inter-racial harmony. "We're racist – but oh-so-polite," concluded the Toronto Star – the area's biggest-selling newspaper – recently. The assertion followed a three-month investigation into discrimination in the region.

The problems in Canada's principal metropolitan centre are just the latest in a series of race-related outbursts that are contriving to mar the country's image as a repository of multi-cultural concord.

Incidents have occurred throughout the country, from Nova Scotia – where black and white pupils at a local high school squared off for three days last month in a series of scuffles – to Vancouver – where resentment towards the area's growing and generally well-heeled east Asian community is on the increase, fuelled partly by soaring property prices.

A wide range of minorities has been affected, from relative newcomers like the country's 110,000 Sikhs, who have at times felt collectively vilified in the wake of terrorist incidents like the Air-India bombing of 1985, to indigenous Canadians whose frustration with government paternalism appears to be growing. Tensions between Anglo- and Francophone communities in predominantly French-speaking Quebec have also escalated since December, following the promulgation of a new language law.

"We're racist – but oh-so-polite," concluded the Toronto Star after a three-month probe into discrimination.

The volume and diversity of the recent flashpoints prompts one to question whether the steady progress in Canadian multicultural legislation that has become apparent since the end of the Second World War and the drafting of the Universal Declaration of Human Rights in 1948 has coincided with a corresponding diminution of prejudice.

The country's enviable reputation for inter-racial harmony is, after all, a comparatively recent phenomenon. (Indigenous Canadians were deprived of the right to vote until 1960.) There is little doubt that discriminatory measures – such as those which all but barred immigration from India in 1907 and altogether halted Chinese immigration sixteen years later – were essentially in tune with the public sentiment of the day.

The xenophobic reaction of the Anglophone east to interior minister Clifford Sifton's late nineteenth-century proposals to people the then empty Canadian west with east Europeans, was quite typical in this regard. The Toronto Mail and Empire described the newcomers as "the waifs and strays of Europe, the lost tribes of mankind and the freaks of creation."

Some 20 years later, the celebrated Winnipeg general strike was ended partly by a bill providing for the deportation, under certain circumstances, of foreign-born Canadian citizens.

Degrees of prejudice are notoriously volatile and difficult to measure. Nonetheless, a recent study on national attitudes organised by Mr Joseph Fletcher, a political science professor at the University of Toronto, has come up with some disconcerting findings.

Fully 30 per cent of those sampled, for example, were prepared to endorse the statement: "All races are certainly not equal when it comes to the things that count most." With the assertion: "Some breeds of people are naturally better than others," the consent rate was 23 per cent. Finally, 74 per cent of the sample agreed that: "Minorities bring discrimination upon themselves." An unrelated earlier survey conducted in 1972 had found that 69 per cent of respondents were prepared to endorse the same statement.

Such findings suggest that Canada has contrived to avoid the worst of the racial problems that have plagued the US less through the relative lack of prejudice of the average Canadian (as is often fondly imagined) than through more copious resort to legislative tools like stricter immigration controls and more generous social programmes.

For a country whose declining birth rate will oblige it to open its doors wider to immigrants – and perhaps to further racial friction – or countenance a decline in its already sparsely-scattered population within 20 years, that inference should provide considerable food for thought.

In the words of Mr Fletcher: "It is particularly dangerous if we do not recognise in ourselves the extent of racial prejudice that we have." Canada can ill-afford to be smug if its generally excellent post-war race relations record is to remain a justifiable source of national pride.

North trial halted on security concerns

THE TRIAL of former Marine Lt Col Oliver North was halted by a US Appeals Court yesterday because of national security concerns, AP reports from Washington.

US District Judge Gerhard Gesell announced in court that "an administrative stay has been entered" by a panel of the US Circuit Court of Appeals.

The administrative stay resulted from an attempt by the Justice Department to stop the proceedings out of concern that more stringent controls should be placed on Col North's plans to produce extensive amounts of classified material in his defence.

Shortly before the stay was announced, a jury of nine women and three men was selected, and Judge Gesell declared his intention to permit the prosecution to begin opening arguments.

Judge Gesell had denied a motion by the Justice Department for a stay of the trial pending the outcome of its appeal to the higher court.

Mr Ron Noble, a Justice Department deputy, then went immediately to the US Court of Appeals in an attempt to get the trial stopped.

At issue is whether national security will be threatened by disclosure of classified information during Col North's trial on charges of shredding evidence and lying to Congress in an attempt to cover up arms sales to Iran, and the subsequent diversion of the profits to Nicaraguan Contra rebels.

The Justice Department stepped into the case on Wednesday by demanding censorship control over classified documents that the defence wants to enter as evidence. That position was also opposed by Mr Lawrence Walsh, the independent counsel who is prosecuting Mr North, a former White House national security aide. The judge called the department's intervention in the case "one of the most frivolous motions I have ever seen."

Judge Gesell said that the only person who may make an appeal in the case is the independent counsel. But Mr Noble responded that "the Government's position is that the right to appeal is the attorney general's."

World Bank and IMF set for talks on Mexican loans

By Stephen Fidler in Washington

MEXICO and the World Bank are expected to enter into formal negotiations soon over three loans totalling $1bn.

The new sector adjustment loans, details of which emerged after talks between Mr Barber Conable, the World Bank president, and Mr Pedro Aspe, the Mexican Finance Minister, could be disbursed by the end of the Bank's financial year on June 30.

Mr Aspe is in Washington this week for talks with international economic organisations and US officials over the country's finance needs.

The loans would be of roughly equal size and support reforms in three sectors of the economy: industrial and government enterprises, trade, and finance. A further $250m industrial restructuring loan awaits final approval from the World Bank board.

Mexico is seeking an annual $7bn to bridge its financing gap for the next few years.

Two US financiers charged with $38bn tax fraud

By Anatole Kaletsky in New York

TWO well-known US financiers have been indicted by a Federal grand jury for what is alleged to be one of the biggest tax frauds ever against the US Internal Revenue Service.

One of the defendants, Mr Jon Edelman, is the brother of Mr Asher Edelman, the Wall Street takeover specialist. The other, Mr Bernhard Manko, is an investment manager.

They were charged on Wednesday in the Federal District Court of New York with carrying out $38bn (£22bn) worth of fraudulent transactions in US government securities in order to create $511m of false tax deductions for their clients between 1982 and 1986.

These clients invested with Mr Edelman and Mr Manko as limited partners in a number of investment partnerships. They were then able to deduct the partnerships' losses from their personal tax returns.

Both Mr Edelman and Mr Manko denied any wrongdoing.

WORLD TRADE NEWS

BTR unit wins £40m tyre plant contracts

By John Griffiths

CONTRACTS worth £40m to set up or expand vehicle tyre plants in China, Iraq, Nigeria and Zimbabwe have been awarded to Dunlop International Technology (DITL), owned by the UK-based BTR industrial conglomerate.

DITL is one of the companies acquired by BTR in 1985 as part of its takeover of Dunlop Holdings. However, most of Dunlop's tyre-making activities had previously been sold to Sumitomo of Japan, and DITL's main function within BTR has been to continue developing tyre-manufacturing technology to sell on to other producers.

The largest of the contracts is for £21.2m, to develop a 150,000 units a year plant making radial tyres for trucks in China's Sichuan province. A DITL subsidiary, Dunlop International Projects, is to supply the manufacturing technology, basic engineering design, product technology and training, as well as mainly UK-sourced plant and equipment.

The contract is the third for DITL from the Chinese authorities since contacts were first established in the early 1980s. Two previous contracts, for tyre plants in Guangzhou and Liaoning provinces, had a combined value of £23.6m.

Work has already begun on the Iraqi contract, which is worth £16m and involves a plant to produce a wide variety of car, commercial vehicle and tractor tyres and with a capacity of 2m units a year. DITL is supplying an engineering design service, specialised equipment, know-how and training, plus advice for ten years.

The other two contracts, with a combined value of around £3m, are to increase output of radial tyres for cars from 100,000 to 500,000 a year at the Dunlop Nigeria plant in Lagos, and to help Dunlop Zimbabwe develop a new design of truck tyre to cope with arduous operating conditions in central Africa.

BTR has substantial shareholdings in both companies, as well as stakes in some other small-scale producers in Africa, the Middle East and Caribbean.

UK groups plan consortia in bid to boost Soviet trade

By Peter Montagnon, World Trade Editor

SEVERAL British companies are considering forming consortia in order to raise their profile in Anglo-Soviet trade and undertake larger joint ventures, a senior Department of Trade and Industry official said yesterday.

Briefing journalists on this week's visit to Britain by Mr Vladimir Kamentsev, a Soviet trade minister, the official said that consortia were under consideration in both the pulp and paper sector and in food processing. The idea of consortia originated in the US where it was pioneered by Chevron.

Rank Xerox and Beloit Walmsley are discussing the possibility of a venture which would provide UK paper-making and photocopying machinery in exchange for Soviet supplies of timber and cellulose for paper manufacture. APV, the food processing machinery concern, has proposed a consortium involving companies such as Allied Lyons, Unilever and United Biscuits in the food sector.

One of the purposes of such consortia would be to help the Soviet Union boost its exports to create the resources needed for upgrading its own industry.

Vladimir Kamentsev: UK visit

In the food processing sector this is complicated, however, by the pressing need for the Soviet Union to improve food supplies to its shops. This may not leave much left over for export. One suggestion has been that an eventual consortium might be able to take a supply of chemicals from the Soviet Union instead.

Though the UK is running a substantial deficit with the Soviet Union, its main purchases are still in the area of raw materials. "One has to recognise the relative weakness of Soviet manufacturing and the difficulty of finding a British market for Soviet goods," the official said.

Following Mr Kamentsev's visit, John Brown is also now looking at a possible expansion of its £100m contract to build two polyethylene plants signed last year.

However, a senior Soviet banker warned that the mere signature of a fresh trade finance protocol this week should not lead to expectations of an automatic increase in UK exports to the Soviet Union. The UK "will have to be competitive" if the Soviet Union is to draw on its fresh supply of trade credit, said Mr Eduard Gostev of the Bank for Foreign Economic Affairs.

APV's high hopes, Page 16

Turkey opts for GEC in £90m military radio deal

By David White, Defence Correspondent

TURKEY has confirmed GEC-Marconi of the UK as its first choice for a military radio deal worth £90m, possibly rising to £200m.

The British group now has to negotiate details of the contract, which includes the setting-up of production facilities in Turkey as part of the country's bid to establish itself in the defence industry.

The first stage of the deal would involve 3,000 high-frequency radios for the Turkish armed forces, made at the new plant, with deliveries scheduled over seven years. This might later be extended to a total of 7,000 units over 15 years.

During a recent visit to London, Mr Ercan Vuralhan, the Turkish Defence Minister, said that for the long-term £200m deal Turkey would be seeking an ECGD-backed loan facility of £70m-£80m.

Turkey has made clear that if negotiations with GEC-Marconi fail, Siemens of West Germany will be asked to take its place and that third priority will go to the other British group in the competition, Plessey.

GEC-Marconi is proposing to make its Scimitar H secure tactical radio near Istanbul, where it has already registered a company. It is looking for a Turkish shareholding of up to 49 per cent in the venture, which would employ about 500 in the first stage of the project.

The Turkish requirement includes production of additional radios for export, but what segment of the market the British group would give to its Turkish affiliate remains to be negotiated. The Turks have indicated that they would seek export custom from Pakistan to Algeria, but the UK group is unlikely to be ready to relinquish its place in Gulf markets.

GEC-Marconi is also competing for another Turkish contract worth up to £300m to supply electronic warfare equipment for fighter aircraft.

UK export guarantees likely to be scrutinised

By Peter Montagnon

THE FUTURE of the Britain's Export Credits Guarantee Department is likely to come under fresh Government scrutiny after a revised set of accounts published yesterday revealed a loss of more than £1bn ($1.74bn) in the 1986-87 financial year.

The accounts, incorporating changes recommended by the House of Commons Public Accounts Committee and the National Audit Office, also show a continuing, although much reduced, deficit of £85.77m in the year to March 1988.

The ECGD is a Government agency which provides guarantees for export credit finance.

The unexpected size of the deficit for 1986-87 is almost certain to fuel the debate over the growing cost to the taxpayer of export credit support in the wake of the developing country debt crisis.

Exporters are worried that this will be used by the Government as an excuse to curb ECGD ability to support exports. A group of them, including companies such as Hawker Siddeley, Balfour Beatty and Davy Corporation, has begun lobbying in Whitehall and Parliament for measures to allow ECGD to write down historic debts.

The ECGD's future is the subject of a fundamental internal review due to be presented to ministers in April. This could lead to a recommendation that the more profitable short term export insurance division be hived off to the private sector or at least given a more independent status.

ECGD, which insures exporters against default by their overseas clients, had reported an operating surplus of £177m for 1986-87, but this figure was questioned last year by the Comptroller General. He qualified the accounts because of what he regarded as inadequate provisions for potential losses on sovereign debt held by ECGD as a result of developing country debt rescheduling.

Under its new accounting system ECGD has sharply increased these provisions and put them for the first time into its profit and loss account.

Ford Australia's sports car plan enters low gear

FORD Australia's ambitious Capri sports car export project, reported recently to be in doubt, has been altered, writes Chris Sherwell in Sydney. The company will now produce for the home market before beginning exports to the US.

The change follows a visit to the group's Melbourne plant by Mr Allan Gilmour, head of international operations at the US parent in Detroit, who had said there was "a possibility" the project would be halted.

The two-seater convertible is based on Ford's successful Laser, which is the same as the Mazda 323. Ford owns 25 per cent of Mazda.

Its future had been clouded by Mazda's own plans for a sports car, by mistaken predictions about the strengthening Australian dollar, and by US legislation requiring convertibles to include an "airbag" passive restraint.

Mr Bill Dix, Ford Australia president, said the latest plans allowed more time to develop an airbag system.

Debt crisis figures mask improvement at ECGD

By Peter Montagnon, World Trade Editor

WHEN it produced its results for 1986/7 a year ago, the Export Credits Guarantee Department (ECGD) immediately came in for a barrage of criticism for presenting too rosy a picture of its affairs.

Now, with yesterday's announcement of sobering revisions to these accounts, it runs the risk of having painted too dark an image.

The tangles it has had with both the National Audit Office and the House of Commons Public Accounts Committee over the past year are the product of the inability of even the most experienced accountants to gauge the true damage to its business wrought by the developing country debt crisis.

It is the lurch from positive to negative in its assessment of this overhang of historical problems that produced the headline deficit figures in yesterday's accounts, but the resulting figures mask the fact that ECGD's current business outlook has markedly improved, especially in the area of short-term export credit insurance which covers 75 per cent of its business.

Admittedly its accounts are peppered with bad news: claim payments are up by over £300m to a record £987m; borrowings from the Government's consolidated fund are expected to reach £1.8bn in the current year to end March; premium income declined in 1987/8 by £19m to £140.6m; and total provisions for losses now stand at £2.3bn against a figure of £1.1bn originally reported for 1986/7.

Yet the common feature of most of these items is that in one way or another they are all the consequences of exposure to developing countries before the debt crisis struck in the early 1980s.

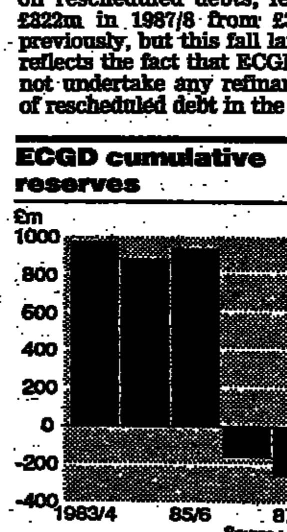
Of the total claim payments, for example, no less than £815m are due to what ECGD calls political events, which in fact means the debt problem.

Mr Malcolm Stephens, ECGD Chief Executive, says the claim payments are "a sign both of the support exporters have had and a sign of the severity of the debt problem still in the system." Claim payments will again be high this year, "but I hope to see them slightly lower."

Similarly the rise in borrowings from the Government, expected to reach £1.8bn at the end of the current year, reflects the way in which claims have lagged recoveries because of the long-term nature of the debt problem.

Recoveries, which are lumped together in the accounts with interest received on rescheduled debts, fell to £222m in 1987/8 from £395m previously, but this fall largely reflects the fact that ECGD did not undertake any refinancing of rescheduled debt in the capital markets during the year in question.

ECGD cumulative reserves



Such refinancing, which was once enthusiastically embraced as an idea by ECGD, is now looked at more warily in ECGD's Ludgate Hill headquarters in London.

Future operations will only be undertaken if there is a clear cost saving over the price of borrowing from the consolidated fund and if the borrower in question can demonstrate a clear chance of being able to repay the loan on maturity.

When current business trends are examined, however, the situation begins to look a little better. ECGD has managed to push up the total volume of exports insured by 10 per cent to £14.98bn.

Turnover in short term export insurance is increasing rapidly, and in the three months to January this year the annual rate of increase averaged some 15 per cent.

Even in 1987/8 the short term division managed to show an increase in its premium income of £4m to £75.4m. Mr Stephens says the rapid response system for short term export credit insurance applications has boosted turnover without sacrificing quality. The average premium rate has been increased and the buyer loss ratio by which claim levels are assessed has improved.

According to yesterday's accounts the short term division made a positive contribution of £26.7m in 1987/8 to ECGD's overall result.

This is in stark contrast to the credit insurance facilities run by the longer term projects division. These made a negative contribution of £113.2m and premium income fell by £24.4m to £60.5m.

Here too, however, there are some signs of improvement. Though business was basically flat in 1987/8 it has begun to pick up now with higher orders in both the aerospace and defence sectors and new opportunities emerging in countries like the Soviet Union.

Mr Stephens says new business being taken on by the project group is "more than washing its own face."

Recovery in the project sector is bound to be slow, however, and one conclusion that may be drawn from these results is that they underline the radically different nature of long term export credit insurance in difficult markets compared to short term export credit insurance which is increasingly orientated to developed countries and may well rise further with the advent of the single European market in 1992.

That could give grounds for Mr Robert Kemp, the former ECGD official who is currently conducting a review of its operations, to conclude that the two businesses should be separated.

His report is not due till April, however, and such a conclusion would have to take account of the need to revitalise the project insurance division which has given rise to so many of ECGD's current problems.

Finally, the accounts come as close as the ECGD ever has to putting a figure on the cumulative cost to the taxpayer of its operations. The figures show the department has notched up a deficit of £251.7m in its 70 years of operation.

UK NEWS

Water company accounts face price rise scrutiny

By Richard Evans and Philip Stephens in London and Tim Dickson in Brussels

BALANCE sheets of all statutory water companies who implement their threat to impose charge increases from April 1 of from 30 to 50 per cent are to be scrutinised by Government-appointed accountants.

Ministers are determined to persuade the company chiefs to moderate their politically *embarrassing price rises* to bring them more into line with the average of 9.8 per cent agreed by the 10 regional water authorities due to be privatised in November.

As the 29 statutory companies are already in the private sector ministers have no direct control over their finances, but the amount of pressure they can exert is considerable.

As a first step, the accounts of any company putting in for undefined "excessive" increases will be sent for scrutiny to the accountancy firm of Deloitte Haskins & Sells, Government advisers on water privatisation.

A report will be sent to Mr Nicholas Ridley, Environment Secretary, giving an assessment of the valid claim for higher investment, plus a factor regarded as unreasonable. Mr Ridley will then demand a reduction, and if this is not forthcoming, warn the offending company that its high price rise will be taken into account when the post-privatisation charging formula of the rate of inflation plus or minus K comes into effect.

There was every sign last night that the companies, who argue that the high price rises are essential in order to prepare them for the new regulatory regime that privatisation will bring, and to bring them up to the charging levels of most authorities.

In two other significant developments yesterday, there was continued confusion over the conflict on water purity standards between the UK Government and the European Commission, and a climbdown by the Government on the guaranteed standards scheme designed to protect consumers by imposing penalties on water undertakings for supply failures.

The conflict between London and Brussels is potentially by far the most serious of the flurry of difficulties that has recently hit the Government's water privatisation plans.

There appeared yesterday to be a continued gulf in understanding, with both Mr Ridley and Mr Michael Howard, the minister responsible for the water industry, insisting there was no problem and the Commission repeating its refusal to consider any exemption, or derogation, for the UK from the increasingly strict EC purity standards.

Mr Howard firmly rejected that any dispute with Brussels over the introduction of new standards might delay privatisation. He insisted there was "no issue of substance" with the Commission and it was "inconceivable" that an agreement would not be reached to allow the water flotation to go ahead in November.

He said the Government saw 1995 as a reasonable target date for compliance with the drinking water rules, which were introduced in 1985, and he added that this would not necessarily apply to all the privatised authorities.

His relaxed approach was not reflected in Brussels, where the Commission repeated its refusal to consider any formal exemption to the water purity directives. A spokesman added, however, that Brussels was "open to suggestions" on how the Water Bill now before the British Parliament could be made compatible with EC law.

As Brussels officials see it, the key question is whether and how quickly the Government and the authorities can come up with a compliance programme acceptable to the Commission. The question is also raised of to what extent the Commission could constitutionally give its blessing to the continued production of "impure" water supplies.

"The law is in force. It was agreed by the member states so it is not for us to grant any derogation," the spokesman insisted.

The Government's guaranteed standards scheme published yesterday confirms that water suppliers will be liable to pay a penalty of £5 a day to each household where water is cut off for 24 hours a day without warning. For planned interruptions, the fine will be liable for every day water is not supplied after normal service is supposed to resume.

The £5 will also be payable every time a company fails to keep an appointment and when most written complaints are not replied to within 10 working days.

But in a last minute inclusion, strikes are among the exemptions which will mean the penalty will not apply.

Cheltenham district launches first such scheme in Britain with view to raising £250,000 in first year

Health authority solicits commercial sponsorship

By Alan Pike, Social Affairs Correspondent

COMMERCIAL organisations were yesterday offered wide-ranging opportunities to sponsor the National Health Service in what is believed to be the first scheme of its kind in Britain.

Cheltenham and District health authority in Gloucestershire, southern England, is inviting businesses to sponsor hospitals, wards and even teams of doctors and nurses.

In return for providing cash, sponsoring companies would be able to display their names and logos on hospital premises and uniforms.

The authority's decision to launch the scheme follows a market research exercise which indicated that it is likely to receive a positive response from the business community. Sponsors will be expected to enter into five year contracts.

A promotional video for the scheme has been sent by the health authority to the 50 leading employers in and around Cheltenham urging them to consider hospital sponsorship. This stresses the potential benefits to a company's image in the community, and points out that a former generation of philanthropic employers – like Cadbury and the Great Western Railway – provided hospitals for their workers in pre-NHS days.

Cheltenham health authority has a health service budget of £40m a year, but officials say they would like several hundred thousand pounds more to employ additional consultants and to improve services to patients. Mr David Leahy, chairman of the authority, said yesterday he hoped the sponsorship scheme would raise at least £250,000 in its first year.

Mr Jim Hammond, general manager of the district health authority, said that the administrative body would consider any sponsorship ideas which commercial organisations proposed. This could involve naming hospital wards after sponsoring companies, or using their logos on vehicles and headed stationery.

Companies might also be willing to sponsor a particular consultant's post or medical team. But ideas which conflicted with health policy – like tobacco company sponsorship – would be rejected.

He believed doctors and nurses would be willing to display a sponsor's logo on their uniforms if this formed part of a deal. "If a small logo on a surgeon's greens (operating theatre coat) allows him to do things he would not otherwise be able to do, I ask 'why not?'"

The scheme was criticised by health service union leaders yesterday. They believe it is evidence of a growing trend towards NHS hospitals having to look for commercial support.

However, Mr Hammond said that initial soundings among staff at Cheltenham indicated that they would support sponsorship schemes provided these led to improved services.

He accepted that sponsors were likely to be disproportionately interested in high-profile, glamorous hospital activities. "But this does not matter, because if we increase our overall income as a result of sponsorship schemes, all services will benefit."

Government hastens pace of Civil Service relocation

By Hazel Duffy

UP TO 34,000 Civil Service jobs could be moved out of London and the south-east of England over the next few years. The figure represents 15 per cent of these jobs in the region.

Mr Peter Brooke, Paymaster General, stated this yesterday in a written parliamentary answer which indicates that ministers are giving some urgency to the question of moving more civil servants away from the most congested part of Britain.

This is partly in response to pressure from Mrs Margaret Thatcher, the Prime Minister, who wants the Civil Service to set an example to the private sector by moving to the regions.

In addition, the Treasury is forcing the Civil Service to face up to the costs of operating in London and the south east by imposing a squeeze on its running costs. Over the next three years departments have been told to find savings of 1.5 per cent a year in the costs of administration and pay.

The difficulties in the south east of finding staff, particularly in the clerical and secretarial grades, is another factor which favours relocation. The Treasury's offer this week of 7 per cent pay increases this year to 195,000 junior civil servants, with extra payments to staff in London, reflects a national recruitment problem which is accentuated in London.

Mr Brooke emphasised that not all the jobs under review would move. Many of the departmental exercises are still at a very early stage so that it is not possible to predict accurately how many jobs will be moved.

The swiftening pace with which relocation is being considered is reflected in the decision by ministers over the past year to commit their departments to moving 3,000 jobs out of London and the south east. They include more than 1,000 Department of Social Security jobs which will go to Glasgow, Belfast and Wigan, and 850 Patent Office jobs going to Newport, South Wales.

The Government's programme of setting up agencies for the executive wing of the civil service, as recommended in The Next Steps report, is likely to intensify the cost advantages of operating out of the south east.

About 80 per cent of the total 573,000 Civil Service jobs are already outside London and the south-east.

Cautious advice for Chancellor on tax cuts

By Peter Norman, Economics Correspondent

THE BANK of England yesterday warned Mr Nigel Lawson, the Chancellor, to act cautiously if he was planning tax cuts in his Budget on March 14.

In its latest Quarterly Bulletin, the Bank said it was unsure whether the sharp rise in bank base rates to the current 13 per cent from 7.5 per cent in the second half of last year would have the desired effect of curbing domestic demand sufficiently to reduce inflation.

Although Britain's current account balance of payments deficit appeared to have stabilised, the Bank warned that this year it was likely to top last year's £14.3bn ($24.9bn). "Only if the improvement through this year were even more rapid than the deterioration through last year, would 1989's deficit be lower than 1988's £14bn," it said.

While a slowdown in consumer spending was likely, the Bank said it would take another three to six months before the main effects of the interest rate rise become apparent – implying that it would not favour a base rate cut around the time of the Budget.

The Bulletin did not spell out the Bank's advice on fiscal policy, but made clear any tax cuts should be kept to a minimum. It said "significant" Budget surpluses "may persist for several years" and advised that "the authorities should remain cautious until the indicators provide stronger evidence that the slowdown is under way."

Implicit in the Bank's report is the belief that any income tax changes next month should focus on the statutory indexation of tax free allowances and any cut in the present 25 per cent basic rate of tax should be minor.

The Bank said there were signs the progressive tightening of monetary policy was beginning to take effect. The interest rate increases of last summer have contributed to a deceleration in the growth of M0, which measures mainly notes and coins in circulation, and a slowdown in of lending. The sharp rise in house prices has slowed, first in the south-east around London and subsequently in other parts of Britain, while retail sales have also appeared to be more subdued.

Underlying the Bank's approach is the belief that the risk of not controlling inflation is greater than the risk of an excessive downturn in economic activity.

The bulletin warned that labour costs had emerged as a significant force behind the rise in inflation with no sign that earnings growth had moderated in any sector in recent months.

It also reported that, measured over the long-term, UK labour productivity had grown at an average of 3 per cent a year in the 1980s.

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Nuclear power levy set for 8% after power privatisation

By John Mason and Max Wilkinson

A NUCLEAR power levy of about 8 per cent will be charged when the electricity industry is privatised, the Government announced yesterday.

At present prices this would mean a transfer of about £500m a year to the nuclear sector from power stations burning coal, oil or gas.

The levy figure, given Mr Michael Spicer, Junior Energy Minister, during the committee stage of the Electricity Bill will surprise the industry.

This is because the bill states that the levy must be based on contract prices between generating companies and distributors. However, these contracts do not exist, and the industry is still arguing about the basis on which they should be written and not even preliminary figures have been attached to drafts.

After privatisation, the cost of nuclear electricity will depend crucially on the valuation of nuclear power stations when they are sold. This is certain to be much less than the values which the Central Electricity Generating Board (CEGB) uses at present to calculate its costs.

Mr Spicer told the committee, however, that his estimate of the size of the nuclear levy was based roughly on the CEGB's present cost estimates. In an unpublished paper, Mr John Baker, the CEGB's managing director, said that nuclear power cost about 43 per cent more than power from fossil fuel at present.

Mr Spicer said this indicated a cost differential of about 10 per cent, but aides explained afterwards that he meant that the nuclear levy would be about 10 per cent based on Mr Baker's figures.

The contracts to be agreed by the industry should enable this figure to be reduced to about 8 per cent, Mr Spicer said. The levy could fall to between 3.5 and 4 per cent as elderly Magnox reactors are phased out and eventually disappear if the pressurised water reactor programme proves as efficient as expected and coal prices rise, he said.

Mr Tony Blair, the opposition Labour Party's Energy spokesman, said that this amounted to the Government finally admitting the levy was a "nuclear tax", costing domestic consumers £20 a year, to underwrite the PWR programme.

He said the levy could rise, since initial forecasts of nuclear programme costs always proved too low.

The Electricity Bill imposes upon the supply companies an obligation to buy a fixed quota of their power from nuclear reactors, which will be run by National Power, the larger of the two generating companies to be created by privatisation.

The extra cost of nuclear power, above that from coal stations, is passed on to consumers through the levy, the size of which will be published by suppliers.

Although not yet fixed, the quota level will be about 15 to 20 per cent of total needs, keeping the nuclear contribution at present levels. The "ring fencing" of nuclear power is intended to increase the security of supply by ensuring a diversity of sources.

Stock Exchange to probe Chamberlain shares rise

By Philip Coggan

THE STOCK Exchange surveillance department is investigating a sudden rise in the share price of Chamberlain Phipps, the shoe components and speciality chemicals company, before yesterday's announcement of a £71.8m all-share offer from Evode, the plastics and chemicals group.

Chamberlain's share price rose 11p to 154p on Wednesday and then jumped a further 20p in early trading yesterday. Evode, which acquired a 4 per cent stake in Chamberlain last August, said it had hoped to secure a recommendation from the Chamberlain board.

However, in view of the sharp share price increase, Evode said it had reluctantly concluded there was no alternative to making an immediate offer.

Last night, Chamberlain issued a statement recommending shareholders to take no action.

Evode said it had had discussions with Mr David Chamberlain, Chamberlain Phipps' chairman, over the past few weeks about the commercial rationale of a combination of the two groups. However, these talks had not discussed financial terms nor were the two sets of advisers, Morgan Grenfell (for Evode) or Baring Brothers (for Chamberlain) involved.

In its statement, Evode said that the combination of its adhesives and sealants division with that of Chamberlain Phipps would create a world player in that market, with turnover of over £75m.

Last year, Evode made pre-tax profits of £9.04m on turnover of £122.4m while Chamberlain Phipps made profits of £7.57m on turnover of £120.6m.

The terms of the offer are one Evode share for every share in Chamberlain Phipps, although accepting Chamberlain holders will not be entitled to Evode's 3.83p final dividend. Shareholders will be entitled to elect to receive preference shares, carrying an 8 per cent yield, in respect of one quarter of their holdings. Evode is also offering 100p for every Chamberlain preference share.

Last night, Evode shares closed down 11p to 194p; Chamberlain's were up 43p at 197p.

UK NEWS

Racial equality body faces finance crisis

By Jimmy Burns, Labour Staff

THE COMMISSION for Racial Equality is facing a potentially crippling cash crisis which has forced the Government to allocate £100,000 in extra funds.

The CRE yesterday blamed continuing Government underfunding for its inability to carry out a number of duties with which it is entrusted under the Race Relations Act.

The CRE expected this to be the second successive year in which it will turning away some requests for legal assistance in industrial tribunal cases of alleged racial discrimination. Last year 25 application were turned away for financial reasons.

Mr Peter Sanders, chief executive, said yesterday: "Our situation is extremely difficult financially . . . unless there are substantial changes in legislation and our finances we cannot see there being any substantial reduction in the level of racial discrimination."

The way CRE's effectiveness has been hit because of underfunding include:

● Abandoning an annual £40,000 bursary for a business development course in the US.

● Delays in the publication of a key survey into employers' adherence to the CRE's Code of Practice.

● Delays in the disbursement of over £780,000 committed in the CRE's budget for special training and community projects.

● Staffs cuts in the CRE and within the Community Relations Councils through which the commission liaise with local authorities on housing and education programmes.

After a pattern of recent years, government funding to the CRE over the last year had not kept pace with inflation. The CRE's annual budget for 1988-89 was £11.16m compared with £10.8m in 1987-88, and commission officials privately indicate that the extra £100,000 will barely suffice to pay off pending bills.

As a result the CRE is thought to be in the process of drawing up a strategic plan to present to the Government within the next few weeks, with a call for a substantial increase in future funding.

Egg sales 'a third down'

By Lisa Wood

UK EGG consumption is a third below the level of this time last year and more chickens will have to be destroyed, the industry warned yesterday.

Sales had appeared to be returning to normal after Christmas but the industry said this was mainly because retailers had been restocking after the slump in orders before Christmas.

The UK Egg Producers Association said supermarket sales were down by about 20 per cent.

The drop in sales follows a row over the incidence of the virus salmonella in British egg production.

Smith Kline ruling boosts generic drug makers

Law lords uphold procedures for copying pharmaceuticals

By Peter Marsh and Raymond Hughes

BRITAIN'S generic drugs industry received a boost yesterday as a result of a House of Lords judgment upholding the legality of the way companies gain product licences for making copies of branded pharmaceuticals.

The decision may also lead to further ructions between Britain's makers of generic medications and the branded drugs sector.

This business includes big UK-owned companies such as Glaxo and Beecham as well as UK subsidiaries of many overseas pharmaceuticals groups.

Generic drugs account for annual UK sales of some £300m. or roughly 10 per cent of the National Health Service's pharmaceuticals spending.

They are copies of branded medications which can be made when the patents on these products expire and which are normally cheaper.

Yesterday's ruling concerned a long-running tussle between the UK subsidiary of Smith Kline & French Laboratories (SKF) – a pharmaceutical company owned by SmithKline Beckman, a US healthcare group – and the Department of Health.

The dispute has been widely seen in the drugs industry as a test case with implications extending over the general licensing process by which generics companies gain product approvals from the Health Department.

In recent years the UK generics business has often been at odds with companies in the mainstream branded-medicines sector, some of which have accused the generics producers of undercutting their profits and damaging the health of the entire drugs business.

Some of the branded-products companies complain that their high spending on research and development makes them entitled to longer periods of patent protection on their products. That move would automatically decrease the activities of the generics industry.

In yesterday's ruling, Lord Templeman, one of the Law Lords, said SKF had been trying to "harass and obstruct" the Health Department's consideration of licence applications. These had involved requests by several generics companies to produce copies of Tagamet, a best-selling anti-ulcer drug made by the US company.

Lord Templeman said that SKF had been trying, through a campaign in parliament and the courts, to prolong its monopoly on Tagamet, which has annual UK sales of about £50m, beyond the statutory period.

In the judgment, Lord Templeman and four other Law Lords unanimously rejected SKF's appeal against an earlier Court of Appeal ruling last June.

This court had concluded that the Health Department, when deciding whether to allow copies of patented formulations to be made and marketed, was entitled to use confidential information on patient trials supplied to it by the holder of the patent on the original drug.

The Health Department "should not be deterred from exercising its rights and powers so as to ensure public safety and fairness to all applicants, whether or not they resort to campaigns and litigation," Lord Templeman said.

He added that the DHSS, as the licensing authority, could not discharge its duties to safeguard the nation's health and to treat all applicants fairly unless it could make use of all available information, confidential or otherwise.

SKF had contested applications by Generics (UK) and Harris Pharmaceuticals – two producers of generic drugs – for licences to make, import and sell copies of Tagamet. Under UK patent legislation, Tagamet was available for copying last March.

SKF, the judge said, understandably objected to Tagamet being copied by Generics (UK), Harris or anyone else.

Its argument was based on the proposition that if a product was worth copying the law should protect it against being copied. "That is not the law," Lord Templeman said.

SKF said yesterday it was disappointed by the ruling and that it could make it less likely for branded drugs companies to want to spend cash on research and development in Britain.

Mr Michael Clark, a director of Generics (UK), said he was delighted. "We hope to have our version of Tagamet available in the next few months."

The Health Department said it was pleased by the judgment as it underscored its right to use data supplied by branded-drugs makers when considering applications from companies which wanted to make their own versions of branded products.

Mr Martin Paltnoi, a drugs industry consultant who specialises in the generic-pharmaceuticals sector, said the ruling was a boost for the entire generics industry.

A favourable wind which still blows a chill

Michael Prowse assesses the bid to encourage science studies

VISIT almost any British university and you will find that while the scientists and engineers are not exactly euphoric, they are less depressed than colleagues in the humanities.

Their high spirits reflect one of the enduring policy priorities of the 1980s: the determination to shift resources, and students, from arts subjects to the sciences.

Since 1979, Mrs Margaret Thatcher's first year in power, the proportion of full-time students studying science-related subjects has risen significantly. And while full-time permanent academic staff have been axed in all departments, many more jobs have disappeared in arts disciplines than in science and engineering.

The sciences have also benefited from changes in funding policy. Central government grants have been tightly restricted in order to force institutions to become more reliant on research awards and cash raised from industry and charities. Yet science and engineering faculties inevitably find it much easier to win contracts and market services profitably than, say, philosophers or ancient historians.

Even though the sciences are in better shape than the humanities, they are still deeply troubled. The 13 per cent increase in the budget of the five main research councils announced in November was the first significant rise for more than a decade. Between 1981-82 and 1987-88, the science budget rose by about 2 per cent a year, after allowing for general inflation. But costs – salaries, equipment, books and so forth – have risen much faster than prices generally. British research has therefore experienced a prolonged squeeze.

Scientists point out that some of the November increase was earmarked for special items – such as AIDs research – and that 40 per cent of their research money is distributed by the University Grants Committee, which was more tightly squeezed than the research councils and which remains under considerable financial pressure. They also stress that industry remains reluctant to back science in a big way: total civil research and development spending in the UK accounts for only about 1.7 per cent of GDP, compared with about 2.5 per cent in other large industrial countries.

The concern reflects not just cash expenditure, but also the numbers of qualified scientists and engineers produced. The pressure group Save British Science claims that a 50 per cent increase in trained scientists, engineers and technical workers is required.

While beginning to recognise the case for increased resources, the Government has hitherto focused on the need to improve the quality and effectiveness of British research. Sir David Phillips, the Oxford molecular biologist who heads the Advisory Board of the Research Councils, and Sir Peter Swinnerton-Dyer, the Cambridge mathematician who chairs the University Grants Committee, are striving to improve performance by tighter management and concentration of research effort.

The conventional wisdom is that fewer avenues of research should be pursued and that the number of university departments should be reduced, so that those remaining can be better funded.

The rationalisation of earth sciences is more or less complete. The number of departments has been reduced from 32 to 24. A similar fate seems likely for university physics and chemistry: the UGC has published reviews calling for the closure of departments with less than 200 students and 20 staff – 20 physics and 16 chemistry departments fall into this category.

Big departments are expected to carry out research more economically and to provide a better education for undergraduates. Critics, however, question whether mergers and closures on the scale envisaged are necessary. They point out that diversity is desirable in its own right, that small teams are often the most creative and that if industrial experience of mergers is any guide, the results of rationalisation will be disappointing.

The Government's drive to increase the numbers of scientists and engineers is proving at best a limited success. The problem it faces is that students – the consumers of higher education – would rather study other subjects. A recent survey revealed a slump in student interest in engineering: in 1986-87 applications for civil, mechanical and electronic engineering fell by 15 per cent, 8 per cent and 7 per cent. It is estimated that up to 10 per cent of places on engineering courses in polytechnics remain unfilled.

University English departments, by contrast, remain heavily over-subscribed but cannot expand because of UGC quotas.

Changes in the school curriculum, such as the designation of science and technology as compulsory subjects up to the age of 16, may increase the popularity of subjects such as engineering, especially among young women (only 11 per cent of graduate engineers are female).

Getting enough qualified and motivated schoolchildren, however, will be only half the battle. The high drop-out rate in undergraduate engineering courses suggests some degrees may be boring and badly taught. The fact that large numbers of qualified scientists and engineers subsequently seek alternative careers suggests that the package of pay, conditions and prospects offered by industry is uncompetitive.

A master's degree in investment and financial services, believed to be the first of its kind, has been launched by the Institute of Chartered Secretaries and Administrators, in collaboration with Hull University and Leeds Polytechnic. It is aimed to raise levels of training in financial services.

The course will be part-time and is planned to proceed in close co-operation with a student's employer. It will take two years to complete and cost £3,250 a year.

Ms Gail Stirling, the institute's education director, said there was a need for a more structured approach to training in financial services.

The MBA will have two parts. A compulsory core will consist of topics directly related to financial services, such as regulation and compliance, investment topics and corporate finance.

There will also be a range of optional courses dealing with broader business issues, such as marketing, strategic management and communications.

In Brief

Dunlop wins overseas tyre plant contracts

CONTRACTS worth £40m to set up or expand vehicle tyre plants in China, Iraq, Nigeria and Zimbabwe have been awarded to Dunlop International Technology, owned by BTR, the UK conglomerate, John Griffiths writes.

The largest of contract is for £21.2m, to develop a 150,000 units a year radial truck tyre plant in China's Sichuan province. Work has begun on the Iraqi contract, worth £16m, and involves a plant to produce car, commercial vehicle and tractor tyres with a capacity of 2m a year.

The other two contracts, with a combined value of around £3m, are to increase output of radial car tyres from 100,000 to 500,000 a year at the Dunlop Nigeria plant in Lagos, and to help Dunlop Zimbabwe develop a truck tyre design.

Channel completion date postponed

The completion date for the Channel Tunnel has been postponed for several weeks because of problems caused by unexpectedly difficult tunnelling conditions.

Eurotunnel, Anglo-French consortium which will operate the tunnel, is understood to have agreed a new timetable with Transmanche-Link, the consortium of 10 construction companies building the tunnel. The revised target means the tunnel will not open on schedule in May 1993 unless the lost time can be recovered.

Car pay votes

An overwhelming vote by 4,500 manual workers at Peugeot Talbot's Coventry plant rejected a pay deal worth just under 16 per cent over two years. Also, union leaders at Jaguar, luxury carmaker, predicted that the 9,000 workers will vote against accepting a two-year deal worth just over 4 per cent a year.

IBM exports up

UK division of International Business Machines, the world's largest computer maker, raised export volume by 17 per cent last year and its workforce by 660 to 18,686. This follows a period of consolidation and staff reductions in the mid-1980s.

Gold share backing

The European Commission has told the UK Government that its proposal to hold a "golden share" in the privatised water authorities to prevent unwelcome takeovers is in accord with EC.

Actuaries link

Bacon & Woodrow, one of the top three UK actuaries, announced a joint venture with Cockman, Consultants & Partners, management consultants specialising in employee benefits.

Kinnock EC move

Mr Neil Kinnock is expected today to commit the Labour Party to fight the June European Parliament elections on a platform of strengthened monetary and political union. The Labour leader will join 13 socialist party leaders from the EC in signing the 1989 Euro-election manifesto.

Oil licensing

Oil Groups involving 84 companies have made 125 licence applications to the UK's 11th round of offshore licensing.

Government presses for quick removal of food mineral oils

By Christopher Parkes, Consumer Industries Editor

ALTHOUGH food makers are to be barred in Britain from using mineral oil in their products, consumers will still be able to dose themselves with the most common type, liquid paraffin, which will remain readily available over the chemist's counter. These so-called "white oils" are also used extensively in cosmetics.

The Ministry of Agriculture announced the ban yesterday, while the Department of Health said no similar action was planned against liquid paraffin, a common laxative. It was most unlikely that anyone would suffer from taking liquid paraffin for a short period, the department added.

Mr Richard Ryder, junior agriculture minister, told the House of Commons in a written answer that mineral hydrocarbons "should be removed from direct food use and from food processing as quickly as practicable."

Mineral hydrocarbons are a group of petroleum-based oils and waxes widely used in food processing. Some fruit suppliers coat raisins, sultanas, oranges and lemons with a liquid paraffin glaze. Bread makers use it to lubricate the blades which cut dough into loaf-shapes. Related products are also mixed in the coloured "rinds" which prevent moisture loss in cheese varieties such as Edam and Gouda. Confectionery, jelly and sausage makers will also be affected.

The use of white oils in food packaging and chewing gum – to add chewability – is under separate review, and will be allowed to continue at least until the ministry's Food Advisory Committee reports in a separate review.

The food industry and retailers were taken by surprise by the announcement, and were told of the ban only on Wednesday. If the Government presses ahead with its proposed timetable, they could be obliged to remove from stock and display all products containing the oils in three weeks.

Mr Ryder's reply yesterday said only that the products were "no longer acceptable for food." It omitted information on scientific evidence given to the trade which showed tissue damage had been found in animals fed on low doses of the hydrocarbons. Residues were found in test animals' livers and other organs. There was also evidence that the hydrocarbons accumulated in human organs, although it was stressed that no damage had been found.

Salsanon and Seaber, a London-based food analysis and consultancy company, said that to be safe only the highest grades of oil should be used in food. Some types contained polycyclic aromatic hydrocarbons, which were carcinogenic.

White oils are already banned for food use in several countries, including the US, Japan and West Germany, although dried fruits coated with them are imported into the UK from several sources, including Turkey.

ACCESS TO THE EUROPEAN MARKET

Some original ideas on the limits to free trade

The EC is drawing up tight rules for products to qualify as local, writes William Dawkins

A new and poorly understood bogey is starting to add to Japanese and US companies' fears that the European Community might be tempted into greater protectionism as it builds its single market for 1992.

The European Commission's customs directorate has emerged from a long period of obscurity to play a newly political part in EC trade policy. It is, for the first time in a decade, drawing up tight local content requirements to be observed by a range of sensitive products – mainly dumped electronics goods made in Europe by Japanese companies – if they are to claim the crucial advantages of EC origin.

These so-called rules of origin are used to define what is and is not an EC product or, if it is not European, exactly where it comes from and under what kind of regulations it can be sold in the Community. At stake could be the difference between dumping levies of 30 per cent being imposed on a European video cassette recorder (VCR) plant and a guarantee of free circulation. And the distinction will become all the more important as the 1992 creation of a free single market approaches.

In theory, any kind of product assembled in the EC can call itself European under a flexible general origin rule. But it is now being seen by the Commission as too generous for some sensitive goods and being re-interpreted accordingly. Any product accepted as European under these requirements cannot be subject to restrictive measures such as Community anti-dumping duties, tariffs or quotas.

The same criteria can equally be used to confer third-country origin on goods made outside the EC, vital when a foreign company wants to open a plant in a country other than its home base to avoid Community restrictions. The Commission suspects Ricoh, the Japanese photocopier maker, of such a ruse by selling to Europe via California, and is expected today to appeal formally to the EC Council of Ministers for action against the Japanese company.

The prospect of having to work harder for the "Made in Europe" label on their products is of great concern to non-European companies with interests in the Community. It also worries the West German, UK, Dutch, Danish and Irish governments, keen to avoid adding to the EC's trade frictions as well as to avoid fouling up the EC's deregulatory internal market programme with needless red tape.

The Commission this week announced a new rule of origin for integrated circuits, has proposed new draft rules for photocopiers and video cassette recorders (VCRs), and is preparing others on computer printers and petroleum products. It could also be forced to set precise rules of origin for cars if the dispute over sales of British-made Nissan cars to France, Spain and Italy leads to vehicles being held up at those borders because of the uncertainty of their origin. But so far, Brussels' experts on rules of origin have stayed clear of the Nissan controversy. Their hands are full enough as it is.

All this activity is being driven partly by pressure from some European producers on the Commission to clamp down on what they perceive as Japanese attempts to circumvent anti-dumping duties in the case of electronic products. Brussels is also being driven by the need for rules to clarify the origin of products and components to help it enforce the EC's own increasingly complex anti-dumping laws.

The prime example is the controversial screwdriver regulation against dumping of components into EC assembly plants, which lays down an exemption for products with more than 40 per cent local content. Clearly, that cannot be enforced well without some properly defined way of measuring whether that content does really originate in the EC. The same applies when it comes to trying to curb the use of screwdriver plants dumping into Europe from outside the Community.

This manoeuvre has been tried by Ricoh, according to the Commission. It alleges that the Japanese firm is trying to avoid 20 per cent EC dumping duties on its direct exports by selling to Europe from a Californian plant supplied with allegedly dumped components. The Commission and all member states, except for the Netherlands, agree that Ricoh's US assembled copiers really originate in Japan and should accordingly be liable for dumping duties – even though US customs authorities say they are American.

British and Japanese at work on a car in north-east England: Brussels must decide whether the product is European

There is no clear answer yet. Unable to get a firm decision out of national experts in the rules of origin committee, the Commission – or 16 out of the 17-member college – was ready this week to appeal to the national experts' political masters in the Council of Ministers. Only doubts by Mr Frans Andriessen, the Dutchman in charge of trade policy, held up the decision which, among other things, would be an precedented challenge to US rules of origin.

Brussels lawyers acting for non-EC companies, meanwhile, complain that they do not know which way to turn. The new origin regulations appear to be shot with inconsistencies, applying different criteria to individual products, they maintain. Forty-five per cent local content is the key for a draft rule on VCRs, yet the proposals for photocopier and integrated circuits use the criterion of technological significance, applied slightly differently in each case. "It creates the ultimate non-tariff barrier – the impossibility of planning," complains one legal adviser.

To make matters worse, the process by which these decisions are made lacks the democratic controls applied to equally sensitive trade decisions, such as dumping. The centre for all this is the rules of origin committee, made up of national customs experts, chaired by a senior Commission official. It meets once a month to vet Commission proposals – and yet its only real constitutional check is the Commission itself, as is the case with several other EC technical committees in this field.

European Governments only get directly involved at ministerial level when the committee is unable to agree, when the Commission's proposals have to be cleared by member states in the council, as in the photocopier case.

And if EC ministers cannot summon a qualified majority for or against Commission rules of origin decisions, the Brussels authorities have the right to adopt them regardless.

The foundation on which this maze is built is a 21-year-old framework rule – Regulation 802 of 1968 – which defines a product's origin as where "the last substantial process or operation that is economically justified was performed ... resulting in the manufacture of a new product or representing an important stage of manufacture." Normally, that can be applied directly without further ado. Separate individual rules exist to denote origin for products that get preferential EC access from areas with special Community trade accords, such as the European Free Trade Association, compromising non-EC European and Scandinavian countries, and the Lomé Convention covering African, Caribbean and Pacific states.

But the 1968 regulation has often needed clarifying in the form of individual origin regulations for products that are unusually complicated or subject to individual national quotas. That is the pattern of the proposals churning out of DG21, the Commission directorate responsible. They are as follows:

● Photocopiers. The chain of events began with an anti-dumping action against Japanese exports to the Community, lodged in 1985 by five EC photocopier makers led by Rank Xerox of the UK. Ricoh's response to the duties that followed – boosting European sales from its Californian plant – immediately attracted a visit from suspicious Commission customs experts.

The upshot was the current Commission proposal to define the origin of photocopiers as the country where their most technologically sophisticated components are made, firmly sourcing Ricoh's Californian output in Japan. What is odd is that the regulation only stipulates in detail which processes do not confer origin on photocopiers – such as assembly of the main working parts – rather than the ones that do, such as the production of lenses and circuit boards. It is rare for the Commission to use this so-called "negative" approach to origin. It reflects the problems the origin committee encountered in making up its mind, or – just perhaps – the possibility that the Commission is at the moment more intent on pursuing an individual company than in writing a legally and economically sound general regulation.

● Integrated circuits. This too is partly a consequence of a complaint, as yet unresolved, into Japanese dumping of memory chips, lodged in 1986 by a group of more than 20 European producers, including Philips of the Netherlands, Thomson of France and and West Germany's Siemens. Even before then, the same companies had been lobbying for a regulation that would define origin as the country where the most substantial part of the circuit-making process took place, the etching of circuits onto blank silicon wafers, known as diffusion. This week the Commission announced that this indeed would be the basis of the regulation. Some legal experts reacted that this was not what the 1968 regulation meant by the last – rather than most – substantial process for finding origin.

Most Japanese chip makers in Europe merely assemble integrated circuits from imported wafers which have undergone diffusion at home. The European companies' aim was to curb low-cost chip assembly in the EC by present and future Japanese producers and to push them into investing in fully-integrated EC chip plants. NEC in Scotland is the only Japanese chip diffusion plant in the EC. The remaining half-dozen will be under severe pressure by the Commission's new regulation to invest an estimated Y30bn (£133m) in European diffusion plants.

● VCRs. This also comes in the wake of an anti-dumping action, which resulted in the imposition of up to 30 per cent duties on five South Korean and Japanese companies last August. Just before the conclusion of that case – started by a complaint from the Community's seven main VCR producers – the Brussels authorities unveiled a rules of origin regulation. It sets 45 per cent local content as the definition of origin.

Rules on computer printers, in the early planning stage, are similarly born out of a dumping dispute. Another proposal on petroleum products, meanwhile, is being drawn up for a different reason – to set common rules of origin following the planned the abolition of individual national origin requirements in the run-up to 1992.

But why are they coming out now, of all times? The first phase in the EC's debate about what constitutes a European product took place in the 10 years after the 1968 regulation was adopted, during which 11 individual product rules were drafted. These ranged from radios and televisions – where 45 per cent local content was set as the rule of thumb – to eggs, textiles and ball bearings. Broadly, those are products whose origin needed clarification right from the start and so represent the settling-in phase of the EC's rules of origin regime.

The current batch comes in response to circumstances that were much less obvious then, such as the growing trade frictions with Japan, the increasing complexity of commonplace electronic products and the trend for Japanese companies, such as Nissan and Ricoh among many others, to move manufacturing plants nearer their main markets.

Yet whatever the reasons behind the revival of this long overlooked sideline to EC trade policy, it is accepted in Brussels that the upshot will have a big influence on whether the post-1992 Community is a fortress or a free market for all.

COMPANY NOTICES

THE PROPERTY MARKET

Paul Cheeseright looks at the continuing arguments about the imposition of VAT on property

Spectre of the two-tier market

With the inevitability of the tide, value added tax (VAT) has come in for property and construction. The effects are likely to be neutral in most cases. VAT is, after all, a tax which is passed on to somebody else and the final cost, with a few notable exceptions, will be absorbed by those who buy the services or goods of the property users. It is the exceptions – the financial houses which do not charge VAT on their services and the transitional arrangements – which could be the problem for property people.

There is probably a general acceptance that, as the Government was obliged by a European Court of Justice judgment to bring property and construction into the VAT net, the result could be a lot more onerous than it actually is.

"We have gone as far as the terms of the judgment would permit to minimise the burden of taxation and compliance," Mr Peter Lilley, Economic Secretary to the Treasury, claims in a letter to Mr John Heddle, the Conservative MP.

At any rate, the tax at the standard rate of 15 per cent, starts on April 1. It applies to new buildings – with "new" defined as anything up to three years old. It applies to building land – which becomes liable to VAT when construction starts and then only if the developer does not exercise the option to tax rents or if the building is for the occupation of the company building it.

This option to tax refers to the ability of a landlord after August 1 1989 to choose whether or not to levy VAT on rents. If a landlord does, he can in effect pass on the VAT charges accrued during the development period of a building. If not, then the VAT stops with the landlord.

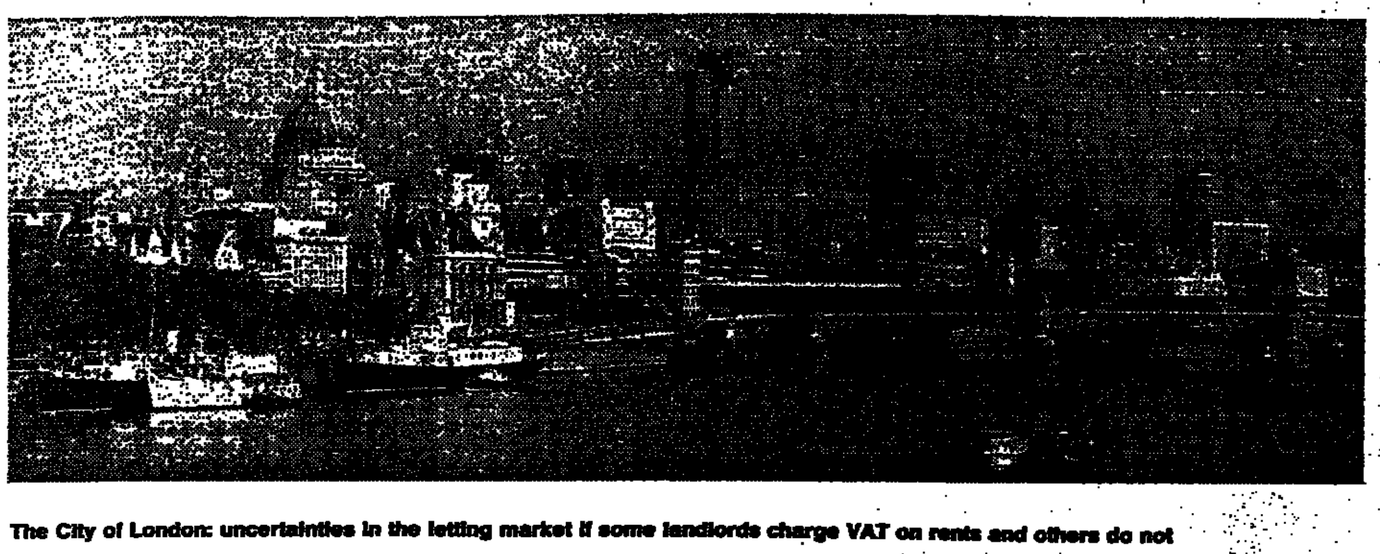
But, in important respects, VAT is phased in. For tenants it comes in over two years. Developers escape if construction contracts for a project were signed before June 21 1988 or if they had a legal agreement and planning permission to proceed with a development before that date.

All of this is contained in draft clauses for this year's Budget and Finance Bill. But there are various problems.

● Building land. The Government's approach to this was not in the consultation paper and, commented D.J. Freeman, solicitors, "this change will potentially bring into the tax many people who believed that, on the basis of the original proposals, they would not be caught."

Because the tax will catch owner-developers it may be a deterrent to expansion, hitting institutions like the Norwich Union which has a substantial programme of new buildings for its own occupation.

And there is likely to be an impact on the City of London market. It is worrying, explains Christopher Hedley of Hillier Parker, chartered surveyors, "because it means that whenever any development proceeds – if it is to remain exempt from VAT – the landlord is going to have to pay VAT on the land costs." But land values in the City mean it would be difficult for developers to absorb VAT on rents. They would have to pass it on.



The City of London: uncertainties in the letting market if some landlords charge VAT on rents and others do not

● This raises the whole question of the option to charge VAT on rents, which is the landlord's legal right but which may be resisted commercially because if VAT is charged a tenant may seek to offset this by lower rents.

The most difficult landlord-tenant relationship is likely to be where the financial sector is involved. Much of this does not charge VAT on the services it provides, so cannot claim back VAT on bought-in services. So where the financial sector is strongly represented – the City, the business area of Manchester and so on – there could be uncertainties in the letting market.

"In some cases," predicted Nabarro Nathanson, "landlords will postpone a decision as to whether to standard rate (rents) and will adopt a wait-and-see policy to see how the market moves." This presents the spectre of a two-tier market – one with VAT on rents and one without.

"In a strong market anything goes," said Ian Cockburn of Electricity Supply Nominees. But the City market is not likely in the short- and medium-term to be as strong as it was. And the regional market can quickly go from short- to over-supply of offices.

"There is a school of thought that feels that in anything but a strong letting market a two-tier market could appear," Mr Cockburn added. Tenants are likely to be more demanding so that if VAT is passed on they will want in return a rents discount of perhaps 10 per cent.

Landlords have some difficult choices to make. Once they have opted to pass on VAT, the decision is irrevocable. "Even if all a landlord's current tenants are in a position to claim credit for VAT added to their rents, future tenants in the finance or insurance sector, who are unable to reclaim the VAT charged, would have no choice but to pay VAT on their rent. This could make the accommodation uneconomic for a potential new tenant, compared with another building where the landlord has not exercised his option to tax," says Price Waterhouse, accountants.

● Transitional arrangements and the future of major inner city projects where the financial sector might be expected to occupy significant amounts of space. Such could include King's Cross and the Royal Docks in London and projects in Edinburgh, Glasgow, Leeds, Bradford, Birmingham and Bristol.

"To avoid the tax from being retrospective I can see no case to distinguish between those legally and those commercially committed. Both of them deserve equal treatment," argues Mr Heddle. The point here is that those legally committed to a project before June 1988 escape VAT; those with land purchased but without legal commitments to develop, have to pay it.

Mr Heddle fears that inner city land values, because of the VAT imposition, will fall on schemes where the margin between profit and loss is fragile. That in turn will lead to stronger demand for more public funds to be applied to inner city programmes.

The worry here is that VAT will increase costs but at the same time makes financial sector tenancies less certain and therefore undermine the funding structure of some projects. The Treasury thinks it has gone as far it can.

Mr Lilley's letter stated that "to extend relief to anyone with any economic commitment (defined to include any land purchased for development in the the three years before the Court ruling) would be hard to justify." It would leave the Government open to charges of further infractions of EC rules – a point contested in the private sector. It would give some developers an unfair advantage.

The argument will continue. The Government will be told that it is simply being arbitrary in its approach to the transitional arrangements. It will be told that it can hardly be serious about its inner city regeneration policy if it makes the financially difficult even more difficult.

But complaints from a sector where returns latterly have been running at around 30 per cent – even though that might be abnormal – tend to be shrugged off as ritual gripes as a new tax takes effect.

MANAGEMENT

Food processing technology

Learning lessons from a crumbling cookie

Peter Montagnon explains why APV hopes to increase trade with the Soviet Union, despite missing out on an earlier contract

When Vladimir Kamentsev, one of the Soviet Union's top trade officials visited Britain this week, a tour of a Sainsbury's supermarket was included in his itinerary. This provides one of the clearest signals yet of a new emphasis in Moscow's approach to foreign trade.

Faced with continuing shortages at home and the growing impatience of Soviet consumers with the failure of perestroika to add to the range of goods available in the shops, the Gorbachev regime has begun to put a much higher priority on food-processing and distribution.

It is now actively seeking foreign help – a shift which has created a host of opportunities for companies like Britain's APV, which, alongside Alfa-Laval of Sweden, ranks as one of the world leaders in the food-processing machinery sector.

After some 50 years of trading with the Soviet Union during which time turnover ran at no more than £8m or so in a good year, APV executives say they are suddenly looking at a potential explosion in business. During the past six months potential contracts have been worth as much as £600m.

Tapping this goldmine remains tantalisingly difficult, however, even for such newly-favoured trading partners as APV. Developing an identifiable corporate presence inside the Soviet Union and learning to deal with its cumbersome and impenetrable bureaucracy remain an intense challenge.

Like other Western companies seeking to do business with Moscow, APV has found its way strewn with difficulties, many of which arise from the sheer pace of change. "The degree of change which is going on in the Soviet economy at the moment is causing everybody to be a little confused as to where the power points are," says Richard Baldwin, main board director responsible for this side of the company's business.

APV's own decision to aim for a higher profile in the USSR stems partly from attempts to diversify its traditional markets. Until a few years ago its Eastern bloc business was better developed in countries like Hungary and Bulgaria where it has joint ventures.

Sir Ronald McIntosh, chairman of APV

But with the acquisition of Pasilac-Danish Turnkeys Dairies from the Danish Sugar Corporation in 1987, it inherited an office in Moscow. Simultaneously the idea of perestroika began to catch the imagination of the world. "We made the increasing of our business in Comecon, and very much in the Soviet Union, more of a strategic issue within the company," says Baldwin.

Yet it is an effort which has still to pay off. APV's actual turnover in Russia last year amounted to just £2.5m. During 1988 it had high hopes of winning a contract for the the installation of 40 dried biscuit lines worth more than £200m. However, around Christmas it found that the contract had been lost to competitors in West Germany and Italy. Baldwin says APV is still trying to work out exactly what happened, but the experience is a pointer to the degree to which the unexpected can confound companies trying to do business in the USSR.

Even given the Soviet priority attached to food processing, the biscuit line contract was handled with an unprecedented degree of urgency by Moscow. With rare devotion to duty its engineers worked nights and even weekends negotiating the specifications for the project. The period from the start of negotiations to the award of the contract was an unheard of six months.

For the sake of speed the Soviets said they were prepared to import the entire plant and not bother to have parts of it constructed locally. Even more surprising was their decision to pay for the plant in cash rather than through credit. That, Baldwin believes, was where the real problems started.

Ironically, a cash payment puts suppliers in a weaker position; payment on credit gives them better control over the financial flows associated with a project. The Soviet side was, for example, reluctant to guarantee that it would pay for the equipment when it was ready even if its ships were not available to transport it to the Soviet Union.

Baldwin believes that APV's German and Italian competitors, most of which were small companies, were able to arrange better security of payment with the help of their own governments. Trade and Industry Department officials say there is no evidence of this and the problem was simply that APV's price was too high.

Undaunted by this failure, APV is continuing to bid for other business. It would like to build cereal processing lines worth £100m, as well as cheese production lines and to convert former vodka distilleries for the production of beer concentrate.

Its hopes in this respect are boosted by a change in its negotiating partners. Whereas APV had been negotiating the biscuit lines contract with one of its traditional partners, Technopromimport, responsibility for the cereal lines has been devolved on to Selkhozpromexport, a new organisation hived off from Technopromimport – all part of the administrative changes taking place in Moscow.

Despite talk of joint ventures in the USSR, APV has not yet come under heavy pressure from the Soviet side to form such a venture. It would view such an idea with caution.

Alan Harper

Vladimir Kamentsev (right), investigating food processing and distribution, at a British supermarket this week

Although Soviet joint venture legislation is being modified to allow foreigners to take majority stakes, Baldwin believes there are still doubts about the degree of control which a foreign partner can exercise. "We feel confident with a joint venture in Hungary because it is a much smaller country where there is a much more immediate exchange of ideas and a pragmatic approach towards making a success of the business."

APV is not yet convinced that the Soviet Union can adopt this kind of approach. "All of the problems are several orders of magnitude larger, simply because of the sheer size of the system," says Ian Watson, APV director in day-to-day charge of Soviet business.

Watson adds that APV is, however, looking at a more modest form of co-operation which is designed to bring the company into closer contact with the end-users of its products. It is planning to establish a small plant in Moscow that will allow the agro-industrial combines responsible for growing, processing and distributing food, to carry out trials on its equipment.

A continuing feature of negotiation with Soviet customers is the two separate levels at which it takes place. While technical specification is handled by end-users, commercial negotiations are still closely controlled by the more centralised trade organisations such as Technopromimport and Gosagroprom, to which APV has been talking on dairy lines. The assumption has to be that the two sides of the negotiation will tend to fuse as decentralisation proceeds.

To keep abreast of these changes, APV attaches considerable importance to its physical presence in Moscow. Apart from a steady stream of visits by senior executives, it has two full-time employees in its office there and is looking to expand its presence with Russian-speaking executives. But this expansion also serves another purpose which APV believes is important. This is the need to develop locally what Watson calls a corporate flagship.

"The Soviets like to be able to identify something as APV," he says.

Indeed, the need for UK industry to develop political visibility in the Soviet Union may well be a key ingredient to business expansion.

The fact that German and Italian companies won the biscuit line contracts may owe something to the fact that top level delegations from both countries on which a broad range of industrial skills were represented last year visited the USSR.

So far the UK has lagged behind in such concerted national effort, but APV says it has begun talking to a range of UK companies which could collaborate to help the Soviet Union in ways that would ultimately enhance its ability to export international quality products. "We've got to be building and contributing to their economy," Baldwin says.

Reorganisation at Royal Ordnance

Into the firing line

Lynton McLain on the input of British Aerospace management

When British Aerospace bought Royal Ordnance in 1977 it knew that its small arms activities were "in difficulties". They were unprofitable and gave poor customer service.

The problems at the Enfield factory, built in the Victorian era, were inadequate production engineering, poor design for manufacture, a policy of in-house manufacture of the majority of gun components and processes that were too complex and covered a seemingly chaotic jumble of low, medium and high production volumes for a dozen different guns.

The Enfield factory in north London, home of the Lee Enfield rifle, was the monopoly supplier of rifles to the British army. Yet the manufacturing cost of each new SA80 rifle exceeded the selling price, agreed by RO under a fixed price contract, by 30 per cent and the guns were delivered 18 months late.

The situation led BAe to question whether RO should even stay in the small arms business, which represented £40m of the company's £500m annual turnover. The Ministry of Defence forced the issue when it put a second tranche of the new rifles out to competitive tender. RO's new management, appointed by BAe, had two months to decide whether to take an option on this second tranche or abandon the rifle business.

Peter Summerfield, appointed by BAe as operations director of Royal Ordnance in October 1987, says the decision was fundamental for RO. "If the contract was accepted it was clear that radical changes would be required to cut costs and reverse the losses. The management chose to stay in the market and fight."

What followed, says Summerfield, epitomised the "spirit of synergy" between not only BAe and Royal Ordnance, but also Rover, the UK car company, when it was acquired by the aerospace group from the Government early last year.

RO and Rover had similarities. Both were in volume engineering; both made high value-added products; both were highly dependent on quality for sales. But each had completely different industrial cultures, traditions and problems. Also, Rover had been through its metamorphosis, RO had not.

When it was taken over by BAe, Rover had just made its first profits for a decade, although with a shrinking market share.

RO had been cushioned from commercial pressures before privatisation because it was owned by its main customer, the Ministry of Defence. It had had limited success in export markets, especially for its small arms, and was ripe for change to bring it into the commercial world.

Summerfield, who used to be in charge of manufacturing planning at Rover, including that of the Rover 800 and the new R8 car which will replace the Maestro, says that in deciding to stay in the small arms market and fight, twin objectives were identified. Manufacturing effectiveness on the SA80 had to be improved to provide a basis for accepting the second tranche contract. Also, there had to be a new approach to small arms manufacture so RO could face international competition and sell its new rifle abroad for the first time.

BAe believed a different culture was essential to achieve this. Enfield would have to close and a new factory be built in a new location. The RO Board, which had been almost entirely replaced by BAe and was headed by Sir Raymond Lygo, chief executive of BAe, decided to move the activity to a new £15m factory in Nottingham. RO's heavy gun production is also based in Nottingham.

RO became "very much a British Aerospace driven operation," says BAe. "We made a major transfer of BAe managers, who had proved themselves, to RO." The hope was that there would be a transfer of skills and experience between the companies and a cross-fertilisation of ideas and industrial practices.

Summerfield took his entire management team into the firing line to meet the British Army's generals and the soldiers who used the rifle. He briefed the army on why it should have confidence that problems would soon be a thing of the past.

The new operation at Nottingham made radical improvements over the old Enfield factory.

At least 80 per cent of the 150 components for the SA80 rifle are sub-contracted to outside manufacturers, with RO putting the onus on the supplier to provide parts with "zero defects". RO makes only 15 to 20 parts for the SA80 rifle. These are the high cost, high value-added parts critical to the weapon, the designs for which are kept by RO. Outside contractors will not get access to this work and the high value added will be kept by Royal Ordnance.

Overheads at Nottingham compared with Enfield were cut by half; staff were able to produce three times as many guns in a year; stocks were cut by 80 per cent; manufacturing lead time was cut by 90 per cent; the planned output was lifted by 45 per cent and there was a 60 per cent increase in added value per employee.

Guns now come off a conveyor at Nottingham in the same way Rovers come off the line at Longbridge. Summerfield says the conveyor system put "an element of pacing" into a traditional non-production environment, where guns at Enfield had been almost hand-made at high cost and with little management control over production.

The changes "achieved the principal objective of producing a range of internationally competitive weapons", says Summerfield.

Dick Bush, sales director of RO's guns and vehicles division and a former BAe director, says the high costs of Enfield had meant the army's new rifle stood no chance of winning a share of the overseas market for such rifles. Now, though, the low production costs at Nottingham and the possible development of a simpler, cheaper design of SA80 for export, offers Royal Ordnance the prospect of its first sales of the new rifle outside the MoD.

The Nottingham small arms factory has become an example to the rest of RO. British Aerospace and RO are determined the lessons of the switch from Enfield to Nottingham, under the direction of an ex-Rover executive, will be used as a "major catalyst for change" in other factories in the BAe group.

TECHNOLOGY

Chips that work side by side instead of in a queue

Della Bradshaw explains why parallel processing is so eagerly awaited by the oil industry

At the beginning of March the UK's Department of Energy will decide whether to finance a British computer company to develop software to speed up the analysis of seismic data gathered during oil exploration.

The software would run on one of a new generation of computers which use parallel processing to speed up calculations. They work by processing a number of pieces of information simultaneously, instead of one bit at a time as in conventional (serial) computers.

The aim of the Department of Energy project would be to develop a software system to enable the transfer of existing software to parallel processors.

Parallel techniques could play a vital role in the oil industry, which is reputed to be the largest processor of computer data in the world after the US Defence Department. In the North Sea, for example, there are about 15 seismic ships, each travelling 40 km a day. For every 1 km they cover, they gather 10 Mbytes (millions of bytes) of data.

Work of this magnitude can be done on supercomputers, such as the Cray machines. But these cost between $2.5m and $22m (£13m), whereas parallel processing systems, such as those produced by Advanced Memory Technology (AMT) of the UK, cost between £100,000 and £250,000.

The speed of parallel-processing systems can be staggering. At Strathclyde University in Scotland, the department of electronics and electrical engineering has developed a series of parallel processors with applications in the oil, defence and medical industries. Professor Tariq Durrani estimates that a task which would take seven hours on a traditional system could be done in a matter of minutes on parallel processors.

The question is whether such parallel-processing techniques can be brought into a business environment, sweeping away the serial systems, or whether they will only have niche applications.

Central to the debate is how information can be split up so as to allow each section of the data to be processed separately.

With seismic data for the oil industry that division is simple. Each time a seismic ship sends down a pulse of sound to the sea bed, the returning signal is recorded by about 200 receivers towed behind the ship. Because each of those 200 pieces of information is recorded in parallel, it is easy to process the data in parallel.

With more traditional computer applications, some manufacturers argue that data cannot be processed in parallel because each element is partly determined by what comes before and after it.

David Alden, founder of Meiko, a UK maker of parallel-processing computers, disagrees. "Take transaction processing, for example. When you are tapping your number into a cashpoint machine, there is no reason why the person next to you shouldn't be doing the same, with the two transactions processed in parallel." He believes that even commercial document processing could be done in this way. "With a word processing package there is no reason why page one cannot be processed by one processor, page two by another and so on."

But he acknowledges that the difficulty lies in developing software capable of dividing up the data automatically. (Cray Research, maker of the world's fastest supercomputers, has responded to this problem by introducing a system called autotasking.)

Iann Barron, chief strategic officer of Inmos, the Thorn EMI subsidiary (now being acquired by the Italian/French chip maker SGS Thomson), believes that parallel processing will open up new areas of computing, benefiting such industries as structural engineering, pharmaceuticals and robotics.

Barron also predicts that parallel processors will initially become popular as parts of larger systems. For example, many laser printers already have built-in parallel processors to handle the data – hence their remarkable speed.

Graphics workstations are likely to follow. "You'll get good three-dimensional models which can be looked at and changed in real time – you can't do that sort of thing at the moment," says Barron.

The idea of parallel computing is not new. The Enigma code-breaking machine, used during the Second World War, is regarded by some as the first parallel system because it processed several pieces of data at the same time. But it was not until the mid-1980s that many manufacturers set about developing parallel-processing computers, believing that serial computers were reaching the limits of their power.

But that effort has yet to bear much fruit. Tim Johnson, chairman of Ovum, the UK technology research organisation, says that sales so far have been considerably lower than analysts predicted.

He points to two factors, however, which are prompting renewed interest: the growing range of operating and applications software, and the availability of specialised chips for parallel processing from companies such as NCube, in the US, and AMT and Inmos, in the UK.

Barron likens Inmos's transputer to a brick. "You can build a wall out of stones which are all different sizes, but it is difficult to make them fit together. If you use bricks which are all the same size and shape, and specifically developed for the job, the task is much easier."

Manufacturers of parallel-processing computers fall into two groups: those which put a small number of high-speed processors in their systems and those which use a large number – often thousands – of smaller processors.

Cray Research follows the first approach. Its YMP machine has eight processors and the company is working on other supercomputers which will have 16, and eventually 64, processors. Companies such as Cray argue that it is not just the number of processors that determines the speed of the machine, the communications and input and output devices are also crucial. With a large number of low-powered processors, communications between them could limit speed.

The products of the second group, which includes Meiko, AMT, Intel Scientific Computers and NCube, are often dubbed massively parallel-processing computers. Of the 150 systems delivered by NCube, for example, several have between 500 and 1,000 processors.

Parallel machines process information in two ways, according to the type of data:

- Multiple instruction multiple data (MIMD), where each processor is carrying out a different job.
- Single instruction multiple data (SIMD), where all the processors running in parallel carry out the same task. A particularly useful application of this is in the oil industry, where geologists want background noise to be filtered out before the data from monitoring pulses is processed.

Although the future for parallel-processing systems looks rosy, manufacturers acknowledge that operating and applications software is still rudimentary.

Several of them have chosen to develop proprietary software for their processors, others have elected to modify existing computer languages, particularly Fortran and C. This makes it difficult for companies to take a software package from one parallel-processing system and put it on another, which in turn inhibits the development of applications software.

Barron reckons that it will be at least four years before manufacturers solve the problem by agreeing on a standard computer language.

Scientists plan to search for the origins of the universe in a Yorkshire mine

Clive Cookson and **Nigel Burnham** report on an experiment that could identify particles of a mysterious and extensive substance called 'dark matter'

Scientists are planning to use a cavern in Europe's deepest mine for an experiment intended to solve several mysteries about the origin and composition of the universe.

The study would be carried out one kilometre underground in a potash mine at Boulby in North Yorkshire. The researchers – from the Rutherford Appleton Laboratory in Oxfordshire and six UK universities and colleges – intend to detect and identify the unknown particles which are believed to make up 90 per cent of the mass of the universe.

Cleveland Potash, the company operating the mine, has already carved out a cavern 500 cubic metres in volume – about the size of a house – to provide a working space for the scientists.

The work has to take place deep underground, so that the blanket of rock above will absorb most of the cosmic rays and particles which would otherwise swamp the delicate detectors being used.

Astronomers believe that the bright stars and galaxies are surrounded by what they call "dark matter". This gives off no light or radiation, so it cannot be seen with telescopes and other conventional instruments. Astronomers can, however, measure its gravitational effects on the movements of stars and galaxies, and this has suggested that at least 90 per cent of the mass of the universe is dark matter.

No one knows what the dark matter is. Some astronomers believe that it consists of massive "black holes" surrounding the conventional stars in galaxies. But others say that the dark matter is made up of tiny sub-atomic particles left over from the Big Bang at the origin of the universe.

Several candidate particles – heavy neutrinos, axions, photinos, Higgsinos, gravitinos and others – have been proposed. Peter Smith of the Rutherford Appleton Laboratory, who is leading the research team, favours photinos, each somewhere between one and 100 times heavier than a hydrogen atom.

At the heart of the experiment is a detector designed to record any particle of dark matter that passes through the 1,100 metres of rock above the scientific cavern. These particles – if they exist – would interact little with conventional matter and so would move easily through the rock.

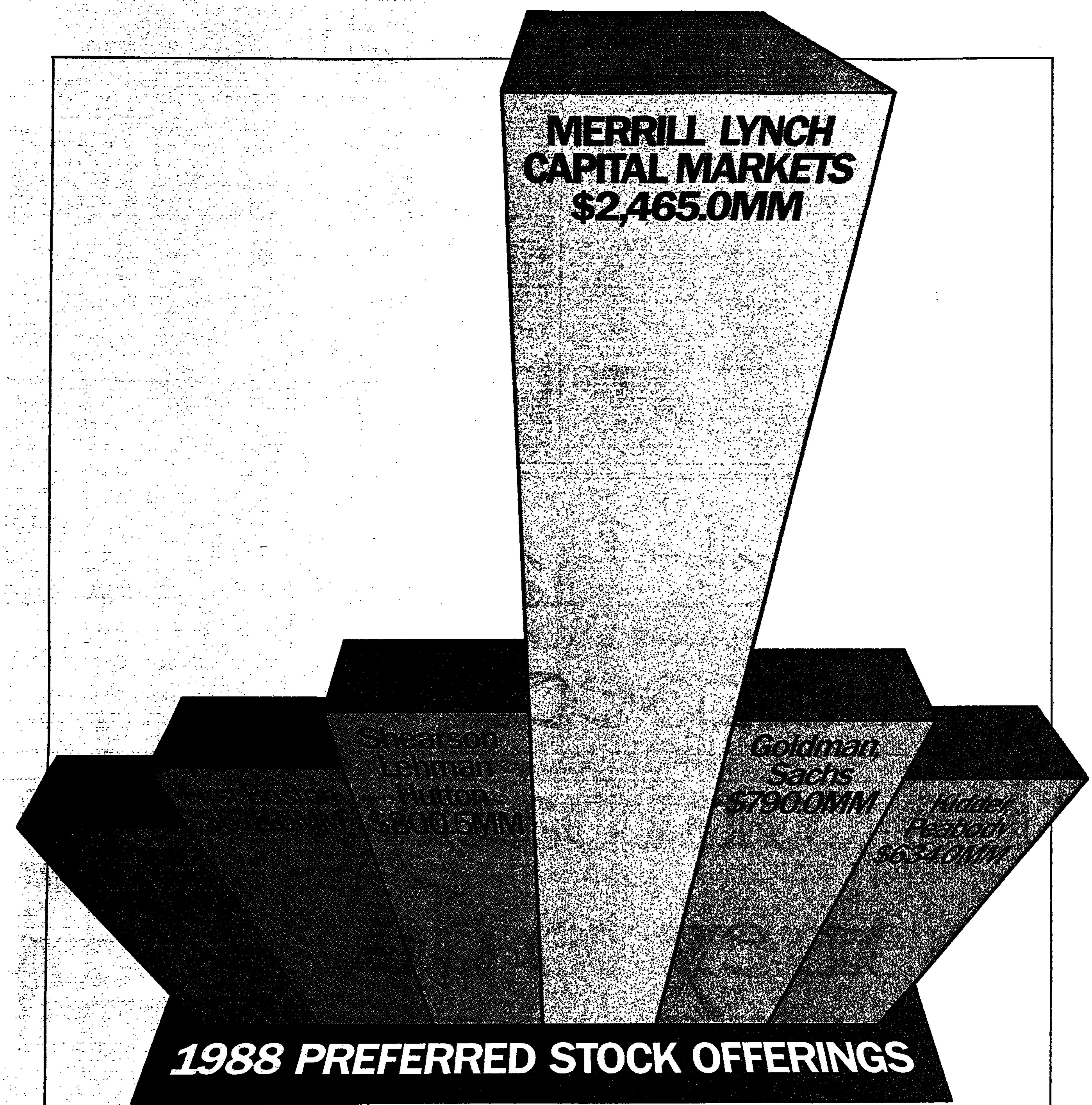
The detector is small enough to fit on a desk-top but it will be surrounded by bulky cooling apparatus designed to keep its temperature within one-tenth of a degree of absolute zero (minus 273 deg C). The instrument works by detecting a collision between an incoming particle and one of the atomic nuclei in a crystal. Such a collision will make the nucleus recoil like a billiard ball and the resulting energy should be detectable in the extreme cold as a small rise in temperature. The researchers expect to record about one collision per day.

So that the detector is not overwhelmed by conventional subatomic particles, it will not only be buried in the mine but also shielded from the products of radioactive decay in the surrounding rocks. The research team has not yet decided what shielding to use. Huge tanks of pure water are one possibility, tons of highly refined salt are another.

Siting particle detectors thousands of feet underground to protect them from cosmic radiation is an established scientific tradition. Several experiments have been set up in gold, iron and salt mines in the US – for example, to study neutrinos, ghostly particles generated by the sun, and to search for evidence that even the proton, the most stable of subatomic particles, will eventually decay.

But the proposed Cleveland Potash experiment would be the first to look for particles of dark matter in this way. Although Smith is quick to point out that it might not work, he believes that the chances of success are high enough and the potential rewards great enough to justify the project. "Investigation of this dark material is crucial to understanding how the universe was formed," he says.

According to the feasibility study carried out by the research team, the experiment would cost about £800,000 over four years. The Science and Engineering Research Council is the likely source of funds.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Hutton
$800.5MM
Goldman,
Sachs
$790.0MM
Kidder,
Peabody
$634.0MM
1988 PREFERRED STOCK OFFERINGS

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
10	11	12	13	14	15	16

OPERA AND BALLET
London

Royal Opera, Covent Garden. The long-awaited first London performances of an opera by Luciano Berio are given by the Royal Opera: *Un re in ascolto*, a dazzling kaleidoscope of sounds, themes, and dramatic visions. Stephen Harrap takes over as conductor. Graham Vick is the producer, and the cast includes Donald McIntyre and Elizabeth Laurence.

English National Opera, Coliseum. The first-ever Coliseum *Falstaff* is by the "home-team" of Mark Elder (conductor) and David Pountney (producer). Benjamin Luxon takes Verdi's title role, and the cast also includes Malcolm Donnelly, Janice Cairns and Anne Collins. Further impressive performances of Aribert Reimann's dry, noisily violent Shakespeare adaptation, *Lear*. Monte Jaffe takes the title role, a uniformly impressive cast includes Phyllis Cannon, Rosa Mannion, Nigel Douglas, and Rodney Macann, and the conductor is Paul Daniel: the brilliant production is by Elke Gramss. Return of Bizet's uneven but lovably fresh and tuneful *Pearl Fishers*, with Cathryn Pope Arthur Davies, and Alan Opie.

Royal Opera House. Sadler's Wells Royal Ballet begins a season on Feb 13 with the first performance of David Bintley's new *Hobson's Choice*. Repeat performance on Feb 15.

Sadler's Wells Theatre. Northern Ballet Theatre ends a season with its dull *Don Quixote* on Feb 11. The Ballet Gulbenkian from Portugal arrives at Sadler's Wells for a season on Feb 14.

Paris

Opéra. Wagner's *Die Meistersinger von Nürnberg* conducted by Lothar Zagrosek in the Hamburg Staatsoper production.

Vienna

Staatsoper. In repertory: *Werther* conducted by Sir Charles Mackerras, with Martine Dupuy, Noriko Sasaki, Alfredo Kraus. *Herzog Blaubarts Burg* conducted by Jiri Kout and *Erwartung* conducted by Ulf Schirmer. *Otello* conducted by Adam Fischer, with Katia Ricciarelli, Margareta Hintermeier, Peter Koves. *La Traviata* conducted by Elio Boncompagni, with Waltraud Winsauer. (51444 ext. 2660).

Volksoper. The week's offerings include *My Fair Lady*, *Der Barbier von Sevilla*, *Der Zigeunerbaron*, *Arthur Schnitzler und sein Reigen*, *Die Csardasfürstin*, *Don Giovanni* and *Cosi Fan Tutte* (51444 ext. 2662).

Berlin

Opera. *Die Hochzeit des Figaro* has a strong cast led by Julia Varady, Iris Vermillion, Carol Wyatt, Alan Titus and Manfred Roehrl. *Turandot* in Götz Friedrich's production features Linda Kelm in the title role, Ciamma Dale (Liu), Corneliu Murgu (Kalaf), Martti Talvela (Timur) and Peter Gougaloff (Akiser Altoum). *Notre Dame de Paris*, jointly choreographed by Maurice Jarre/Roland Petit has Bart de Block, Raffaela Renzi, Tom van Cauwenbergh and Tomas Karlborg in the solo parts.

Hamburg

Opera. *Der Rosenkavalier*, conducted by Silvio Varviso is sung by Anna Tomowa-Sintow, Hildegard Hartwig, Gabriele Rossmanith and Hans Sotin. *Ariadne auf Naxos* is a well done repertoire-performance with Anna Tomowa-Sintow in the title role, Klaus Koenig (Bacchus), Hellen Kwon (Zerbinetta) and *Dieter Weller* (Musiklehrer). *Dornröschen* and Bach's *Matthäus Passion*, both choreography by John Neumeier round off the week.

Bonn

Opera. Last performance of *Lucidor*, choreographed by Youri Vamos. *Tannhäuser* stars Grace Bumbry, Richard Versalle, Alfred Muff, John Broecheler, Nadien Denize and Christer Bladin and excellent conducted by Dennis Russell Davies. The *Fledermaus* provoked heavy protests against the ultra modern Bernard Broka production, which was redeemed by the singing.

Amsterdam

Netherlands Opera. Premiere of new production of Berlioz' *Damnation de Faust* directed by Harry Kupfer. Hartmut Haenchen conducts the Rotterdam Philharmonic, with Hedwig Fassbender as Marguerite, Jean-Philippe Lafont as Mephistopheles, Barry McCauley as Faust (Fri, Mon, Thur).

Nederlands Dans Theater with a new ballet by Mark Haim to music by Mozart, *A Tear in Time* (Chase/Lipari), and *Lieder eines fahrenden Gesellen* (Kylian/Mahler) (Sat, Sun matinee). Muziektheater (255 455).

Rome

Teatro dell Opera. Elegant neo-classical productin of Cimarosa's *Gli Orazi e i Curiazi* by Francesca Zambello, as part of Rome's celebrations of the bicentenary of the French revolution. Alan Curtis conducts a young cast which includes Anna Caterina Antonacci and Gianna Rolandi as the ill-starred lovers: the Roman equivalent of the Montagues and Capulets (46.17.55)

Milan

Teatro alla Scala. Puccini's *Tosca* in Piero Faggioni's production, with scenery and costumes by Nicola Benois. The cast includes Ghena Dimitrova (alternating with Maria Guleghina), Veriano Luchetti and Piero Cappuccilli (alternating with Alberto Cupido and Juan Pons), conducted by Tiziano Severini and last performance this season of Weber's romantic opera *Oberon* in Luca Ronconi's elaborate production, designed by Margherita Palli, and conducted by Seiji Ozawa (80.91.26).

New York

Metropolitan Opera House, Lincoln Center. David Stivender conducts *Idomeneo* with Carol Vaness as Elettra, Frederica von Stade as Idamante and Siegfried Jerusalem in the title role. *Bluebeard's Castle* continues with Jessye Norman as Judith and Samuel Ramey in the title role. James Levine conducts, along with the monodrama *Erwartung* where Jessye Norman sings the Woman. James Levine also conducts *Don Carlo* with Neil Shicoff in the title role, Margaret Price, Tatiana Troyanos and Bernd Weikl. (362 6000)

New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season continues with 26 works by George Balanchine, nine by Jerome Robbins and five by Peter Martins. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26. (496 0600)

THEATRE
London

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. Feb 8-11, 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200).

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. (928 2252). Feb 13-16, March 1-4.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. (379 6107, cc 741 9999).

Hedda Gabler (Olivier). Juliet Stevenson is energetically wilful in fine National revival using a new Christopher Hampton translation. A full-scale, monumental reading, with European design to match by Bob Crowley. Howard Davies directs, Norman Rodway is Judge Brack. Feb 16-21 (928 2252).

The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. (836 6404, cc 379 6233).

Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from *Gillian* Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).

Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832).

Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets *and a tug-of-love (836 9987, cc* 741 9999).

Rotterdam

Evita (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thur). (413 2490).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, *Phantom* rocks with *Andrew Lloyd Webber's* haunting melodies in this mega-transfer from London (239 6200).

Marcel Marceau (City Center). Month-long performances by the legendary French mime mark his first appearance in New York in six years. Ends Feb 26 (581 7907).

Washington

Miss Saigon (Eisenhower). The creators of Les Miserables introduce their latest musical, an adaptation of *Madame Butterfly* with a setting of some familiarity in Washington. Ends May 1 (254 3670).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. Kabuki-za (541 3131). The matinee performance at 11.30am features four works, including a recent showpiece, *Genji Monogatari*, a tale of the Genji clan. The final play in the evening performance at 4pm is *Megumi no Kenka (The Fight with the M Brigade)*, which features a spectacular and amusing fight between firemen and sumo wrestlers and stars Onoe Kikugoro VII, for whose great-grandfather the play was written.

Bunraku. National Theatre: The World of Chikamatsu. Chikamatsu Monzaemon (1653-1724) is often described as the Shakespeare of Japan; he wrote primarily for the bunraku puppet theatre, helping make it one of the world's most sophisticated art forms. At 11am: *Horikawa Nami no Tsuzumi (The Echo of a Drum near the Hori River)*, by Chikamatsu. At 3pm and 6pm: plays by Chikamatsu Hai and Yoshida Kanshi (265 7411).

Beneath the Blooming Cherry Trees. Written and directed by Hideki Noda. Seinenkan Hall. Japan's liveliest fringe company, Yume no Yuminsha, is wildly popular among young Japanese and has now built up a substantial international reputation following performances at the Edinburgh and New York Festivals (496 1051).

How to Sleep in Space. Prologue. Kinokuniya Hall, Shinjuku. Popular fringe company Daisan Butai in a revival of a 1981 production set in a nuclear shelter. (354 0141).

Asinamali. Space Part 3, Shibuya. Anti-apartheid musical, performed in English by the Committed Artists group from South Africa. The title means "We have no money", but its meaning is "We have suffered enough" (477 5858).

EXHIBITIONS
London

The Royal Academy. Italian Art in the 20th century: after German and British, the third in the Academy's roughly biennial sequence of major national surveys. This is an exceptionally thorough study of the earlier phases and the works are well chosen throughout. Daily until April 9, except Good Friday.

Paris

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary *peintre maudit*, influenced at first by the impressionist Pissarro and later by Degas and Cezanne. Until April 24, closed Tue. (42 96 58 30).

Louvre. Pavillon de Flore. The *Rembrandt school is on show* at the Louvre. It consists of 29 canvases by Rembrandtesque artists and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Closed Tue. Ends March 27. (42 60 39 26).

Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of invention to metaphysical preoccupations in his recent works. Closed Tue. Ends March 27 (42 77 12 33).

Le Louvre des Antiquaires. A show of wallpaper from 1720 to 1930. The exhibition displays 300 samples of this minor decorative art and shows how its development followed, and underlined, the changes of fashion. 2 Place du Palais Royal (42 97 27 10), Closed Mon, ends April 2.

Bibliotheque Nationale. Gauguin et l'Ecole de Pont-Aven. Echoing the retrospective at the Grand Palais, theBibliotheque Nationale exhibits engravings by Gauguin and hisfriends, among whom O'Connor emerges as the most powerfulpersonality. Ends March 5 (47038126).

Brussels

Musée Bellevue. Les Flacons de la Seduction. The art of perfumery in the 18th century. 7 Place des Palais. Ends Feb 19.

Musée D'Art Moderne. A retrospective of the paintings of Jean-Jacques Galliard (1890-1976). Closed Monday. Ends March 12.

Antwerp

Museum of Contemporary Art of Antwerp. British sculpture 1960-1988. A major exhibition of works by 36 contemporary British sculptors. Closed Mon. Ends Mar 5.

Rotterdam

Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

Vienna

Kunsthistorisches Museum. Prague 1600 – A marvellous exhibition looking at the court of Rudolf II, the great patron, not only of the arts but also the sciences. Ends Feb 26.

Museum der 20 Jahrhunderts. Klassische Moderne, a collection of the Museum's contemporary art. Ends March 7.

Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

Secession. The Austrian designers, Oskar Putz and Adolf Krischanitz are worth seeing. One can also see Klimt's Beethoven Friese, now back in its original place.

Rome

Spanish Academy (Piazza s. Pietro in Montorio 3). Seventeenth and eighteenth century Italian drawings from the Biblioteca Nacional, Madrid: over a hundred drawings of quite exceptional quality, with representatives of all the major Italian schools. Until Feb 26.

Villa Farnesina, Via della Lungara 230. Over 100 fierce lithographs by the French artist, Honoré Daumier, most of which originally appeared in the Parisian satirical paper Charivari. Until Feb 28.

Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26

Milan

Palazzo Reale. Avant-garde Russian painting from private collections (1904-1934). A remarkable exhibition organised by the Comune of Milan and the Soviet Cultural Foundation, and sponsored by Pirelli, of works from 19 private collections in Moscow, Leningrad and Kiev, none of which have ever been seen in the West. Until March 5.

Turin

Castello di Rivoli. Alberto Giacometti (1901-1966). A retrospective of the Swiss artist's major works, in large part those shown in the French pavillion at the 1962 Venice Biennale. A fascinating side-show to the main exhibition is Giacometti as seen by photographers, including 129 photographs of the artist by family, friends and masters covering his life from the age of eight up to his funeral. Until Feb 26.

New York

Nakhamkin Gallery. Out of more openness in Moscow and better US-Soviet relations, Eduard Nakhamkin now has a New York gallery devoted to Russian art. The first New York show comprises more than 200 paintings, drawings and decorative objects from the Pushkin era, borrowed from Leningrad and Moscow museums. 1055 Madison Av at 80th St. Ends Feb 20.

National Academy of Design: The 164th annual juried exhibition includes 183 works. In accordance with a rule change in 1981, this show comprises work only by academy members, alternating with open competition in even numbered years. Ends March 26.

Museum of Modern Art. In advance of its arrival at London's Hayward Gallery in November, the first retrospective of the work of Andy Warhol since 1970 surveys all his work from the 1950s, covering the Campbell's Soup cans, silkscreens on canvas of Elvis, Jackie Kennedy, Marilyn Monroe and other movie stars, disaster paintings and numerous self-portraits. Ends May 2.

Washington

National Gallery of Art. Cézanne: the Early Years. Already seen at London's Royal Academy of Art and the Musée d'Orsay in Paris, the exhibition comprises 65 oils and 35 drawings showing Cézanne's proto-impressionist techniques from 1859 to 1872. Ends April 30.

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner and Lear to the pre-Raphaelites. Ends March.

Tokyo

National Museum. Treasures from the Ninnaji Temple in Kyoto. The temple is a recognised centre for the gentle arts of the tea ceremony and flower arrangement and its treasures include beautiful gilt Buddha statuettes, lacquerware and porcelain from the Heian period. Closed Mondays.

Striped House Museum. Exhibition of paintings by Kiyoshi Kotsumi, third son of the late 19th century writer, Lafcadio Hearn, who became a naturalised Japanese citizen. Kotsumi's life and work were inevitably torn between eastern and western influences.

Japan Folkcraft Museum, Komaba. East Meets West: ceramics and etchings by the two greatest potters of the 20th century, Bernard Leach and Hamada Shoji, who were lifelong friends. Closed Mondays.

Idemitsu Museum. Arts and Crafts from China. This museum boasts a superb Chinese collection, of which only a small selection can be displayed at one time.

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ARTS

William and Mary style, USA

Paula Deitz visits the Cooper-Hewitt Museum, New York

In a sense, the exhibition now in New York called *Courts and Colonies: The William and Mary Style in Holland, England and America* is both a complement and a counterpart to the recent exhibition at Christie's on the Anglo-Dutch garden of the same period.

Here, to celebrate the tercentenary of the Glorious Revolution, the point of departure is the evolution of the richly ornamental and unified interiors that extended to the gardens, rather than the other way around.

Finding this show at the Cooper-Hewitt Museum in New York rather than at the Victoria and Albert Museum also points up the full extent to which the American Colonies were themselves small courts of sophisticated style, and not, as one Boston curator puts it, "a tag-end provincial culture."

New York was Dutch before it surrendered to the English in 1664; and, as New Amsterdam, it had already begun to flower under the early Dutch baroque before the William and Mary style arrived in the form of imported goods and immigrant artisans. Boston and Philadelphia were also coming into their own with wealthy collectors and patrons who sought, as the catalogue suggests, "high quality and current design."

As the 250 objects on exhibit from England, France, Holland and the American Colonies are arranged by category – including furniture, silver, textiles, ceramics, glass and silver, along with the prints and drawings that dictated the designs for the period from the 1670s to the 1720s – what becomes immediately obvious is that this was in truth the first international style.

Although individual artisans incorporated various kinds of flourishes and embellishments in their wares, it is difficult to distinguish even regional differences that became more obvious in later periods.

The small darkly-panelled rooms of the Cooper-Hewitt's Carnegie Mansion, where the objects are installed, resemble collectors' cabinets of the period. Objects of singular beauty, like the delftware arrayed on shelves over a fireplace mantel, become complementary elements in a series of overall symmetrical patterns that were the popular way of displaying like accessories.

Because no attempt has been made to create realistic room settings, the focus is on the architecture of the individual objects. A four-tiered silver buffet becomes a stage for over 30 gadrooned and fluted vessels embellished with shells, scrollwork and ornamental masks. As dining was invested with more variety, elaborate forms were developed to ensure proper service; in each case a Colonial piece can be compared with its Continental source.

The Boston monteith or wineglass cooler by John Coney, for example, based on Marot-style designs of C- and S-scrolls, is as baroque as one by Samuel Lee in London with equally fierce lion-mask handles. And along with tea pots and coffee urns are three ingeniously designed silver chocolate pots for the newly-popular beverage. Coney was the first New England silversmith to make a chocolate pot; the one here is shaped like a Chinese vase and has the usual removable finial so that a stirring rod could be inserted. And from there the bold designs, the dramatic wine fountains were only one step away from being garden fountains.

Because each selection in the exhibition makes a valuable point about the period, this is the kind of display that sums up a period sociologically and historically rather than overloading the senses with a glut of detail. To emphasise the importance of the ubiquitous suite of furniture, including table, mirror and candlestands, there is only the carved, painted and gilded set from Hopetoun House near Edinburgh and the solid silver mirror frame and table, engraved and embossed all over with fruits, flowers, cherubs and scrolls, which was lent by the Queen. A drawing of a similar suite by Marot completes the picture.

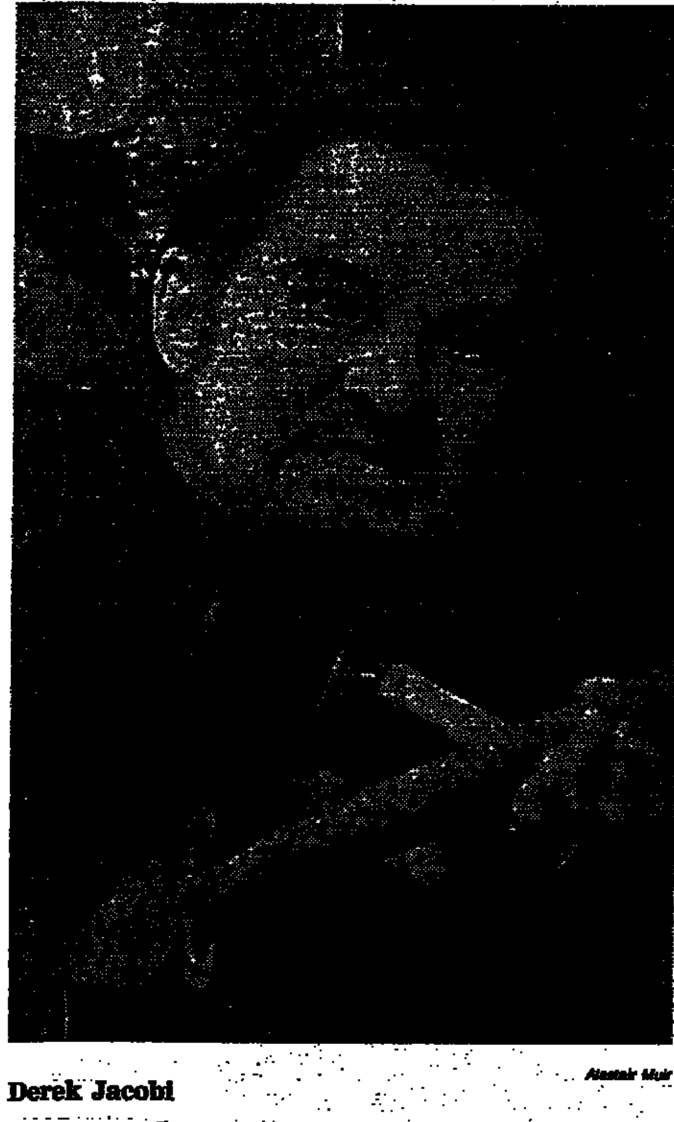
When the distinctive chairs with carved, high vertical backs and caned seats arrived in America, one can say that America had arrived, and these have become an enduring symbol here of the period. The high-chests on legs made in the Colonies were more subtle in design with inlaid floral motifs, but no less exuberant than the English-style cabinets with painted flowers on carved silver stands. Hangings and coverings of silk damask and cut velvet further enriched the interiors.

Although one thinks of the Governor's Palace in Williamsburg, Virginia, as being the ultimate expression of the William and Mary style in America, the Palace has actually been restored to a later 1770 inventory.

The true gem of the period is the Trent House between New York and Philadelphia in Trenton, the capital of New Jersey. Here in 1719 along the Delaware River, William Trent built his red brick mansion, which has been restored according to a 1726 inventory with a superb collection of William and Mary crested high-backed chairs, tables and japanned cabinets. It may not be Dyrham, but it demonstrates how well the Chief Justice of New Jersey lived at that time.

Courts and Colonies, which closes at the Cooper-Hewitt Museum on February 12, reopens at the Carnegie Museum of Art, Pittsburgh, from March 18 to May 28.

Bust of William III as King of England, wearing the extravagant mouchoir, or neckerchief, popular during the period. Tin-glazed earthenware



Derek Jacobi

Alastair Muir

Richard III

PHOENIX THEATRE

Much as I admire Frankie Howerd I am not sure that I want to see him as Richard III. My doubts are intensified by Derek Jacobi's assumption of Shakespeare's crouchback which, for the first half of the evening at least, is played for laughs in a way that irresistibly recalls the great Francis' inimitable blend of prissy disapproval and the costly confiding risqué.

By the time that Mr Jacobi, or possibly the director Clifford Williams, gets round to realising that Richard is a homicidal maniac as well as a lovable clown it is too late. The audience is happily ensnared in a mood of rib-nudging giggles, and the result bears as much relation to the murderous Machiavel as *'Allo 'Allo* does to Nazi occupation – a sort of medieval campery (*Forsooth Forsooth!*) is the end product.

Of course Richard is – has to be – funny; great as well as not so great interpreters leave us in no doubt. But he must be frightening also; first cousin to Edmund and Iago, otherwise the play loses its moral balance and becomes a ghoulish comic strip on the lines of Marlowe's *Jew of Malta*. (On this showing, Mr Jacobi has the comic relish for a splendid Barabbas.)

Historically inaccurately bearded (but much of the production's all-purpose medievalism seems to have strayed in from a century before; does it share a pool of mix-and-match costumes with its companion, *Richard II*?), with his swept-back hair and questing profile Mr Jacobi resembles a cross between Cherkassov as Ivan the Terrible and my distinguished colleague from The Observer. The opening scenes find him leaving no gag uncracked, no punch unpulled, from a wriggling tongue to illustrate Jane Shore's "*per-leasing*" use of that organ via vaguely sexual gestures when Edward IV has "overmuch consumed his royal person" to the final lowering revelation of a Nietzschean superman with his "That – WILL – I", lingeringly delivered to drive the point home.

Mr Jacobi's splendid vocal technique ranges from brazen-toned trumpeting to a base rasp of self-loathing on the eve of Bosworth that emerges as unexpectedly from his frame as any dubbed diabolic obscenity from the possessed victim in a horror film. He deploys a casually colloquial tone to deflate, puncture and undercut: "I like you lads" (to Clarence's murderers) is the team manager's approval of his successful striker. The trouble is that this often leaves the other players with nothing serious to react against; thus Lady Anne's tirades, their fury vented inexplicably against this joker, make her look silly: a challenge Kathryn Pogson does not entirely surmount.

But then from the meal the leading actor makes of the play few crumbs of conviction are left for his colleagues. Some use deliberate understatement (Tom Durham's Tyrrel), others merely seem pallid (Clarence's murder was utterly devoid of tension despite Malcolm Tierney's restrained performance); and there must be something very wrong with a production where Barbara Jefford – as the raving Queen Margaret, to boot – looks small and insignificant.

Carl Toms' design reveals a colonnaded walk, its roof a catwalk, backed by dark pillasters that variously frame grills, gratings and prison walls; an impressive set against a stormy sky for dark deeds that never quite materialise. In the indisposition of Pete Postlethwaite Buckingham is played rather blankly by Leon Eagles. To his well-spoken and clean-limbed Richmond David Rintoul now adds a well-spoken and decrepit Edward IV. The infant Prince of Wales is convincingly a king's son; the little cockney Duke of York takes after his mother.

Martin Hoyle

Siblings

LYRIC STUDIO, HAMMERSMITH

The actor Peter Eyre has tracked down a manuscript of Klaus Mann's 1930 play *Siblings (Geschwister)*, based on Cocteau's *Les Enfants Terribles*, and translated it with the help of Tania Alexander.

The play is hardly known and never done in Germany. But Mr Eyre's archaeology is neither pious nor futile. Directing it himself, he has polished up a little gem, an incest play that wallows in the pathological symptoms and curious rituals of an illicit, but joyous, bedroom game. It also flashes up a fascinating view of the new hedonistoic, privileged inter-War Europeans.

The first surprise, in fact, is how very closely Mann follows Cocteau's novel. His distillation of it is efficient and faithful, with a clever elaboration for stage purposes on the old maid Marietta (delightfully taken by the operatic veteran Rose Hill). The rich American suitor (Steve Elm) stumbles on a regressive nursery of mnemonic props, late-night snacks, a Josephine Baker doll. He comes alive best at his own funeral.

Cocteau thought Mann had bent the piece to his own obsessions with Socialist Germany. But the Other World of Stalin's address to the workers, of Nuremberg, of the American Unemployment figures, is only briefly mentioned. It is resolutely Parisian, nothing like Mann's 1936 tumultuous national novel *Mephisto*.

Otherwise, Mann's response to Cocteau, fuelled by his own infatuation with his sister Erika, is to the private world of schemes and bedclothes burrowing. This world is well imagined in the simple but effective design of Philippe Brandt, an arrangement of standing salmon screens flanked by two grey classical arches. The gallery of pin-ups includes Jack Dempsey, Valentino, Jean Gabin, and the charismatic Dargelos, the boy who literally and metaphorically fells Paul in the first chapter of the novel with a stone-infested snowball.

Formally, the play is like really louche Noël Coward. Gerard (Mark Tandy) and the mannequin Agathe (Kitty Aldridge) are encouraged only to be excluded, like the bores in *Private Lives*. But a deep tragic twist is supplied by the murderous intervention of Elisabeth, likened by Cocteau to the web-spinning Arachne of Greek legend. Paul deviates amorously, normally, spoils the game.

Cocteau's last eerie chapters are well done here, with shadows and silhouettes, people appearing round corners with candles, and a final deathly pieta of poisoned brother and ecstatically suicidal sister. The lights dim before the gun goes off.

Suzanna Hamilton's Elisabeth exudes a casual sensuality that is absolutely perfect, as is her natural smile of twisted innocence. She and Simon Cutter as Paul, spiteful and impulsive, a very fine performance, suggest how Henry James's children in *The Turn of the Screw* might have grown up. What the play cannot transmit is the aroma of the opium den, the drug-suffused dreaminess and luxuriance of Cocteau, although the five scenes are steeped in lush Romantic music.

A short, enthralling and worthwhile evening, notably well costumed and presented, with the exception of Miss Aldridge's unfortunate wig on which I heap scorn and all due derision.

Michael Coveney

The Royal Academy's plans for 1989

The Royal Academy yesterday announced an off beat programme for 1989, encouraged by a successful 1988. Attendances rose by 23 per cent, to 943,686, by the end of the RA year, and the institution, not funded by the Arts Council, produced a surplus of £150,000.

There is no mind blowing show for the next 12 months but some intriguing displays. The first, from March 17, is *The Royal Treasures of Sweden, 1550-1700*, in the Diploma Galleries and backed by a £450,000 guarantee against loss by the Swedish financial house of Gamlestaden.

On September 23 until Christmas in the Main Galleries the RA mounts the most important celebration in the UK of 150 years of photography. *The Art of Photography*, rather surprisingly, has failed, as yet, to find a sponsor.

Looking ahead into 1990, on January 13 in the Main Galleries Unilever is sponsoring the most important ever display of work by the 17th century Dutch artist Frans Hals, and later in the year Monet is celebrated with a show devoted to his "series" paintings of the 1890s – haystacks, Rouen Cathedral, and London.

The Summer Exhibition runs from June 10 to August 20. Last year just over £1m worth of art was sold (slightly less than in 1987), but the average value of each work rose by £40, to £406.

Antony Thorncroft

Olaf Baer

WIGMORE HALL

For Hugo Wolf the years 1888-9 were the double *annus mirabilis* of his composing career. The centenary of the first seems to have gone unnoticed in 1988, but this year Geoffrey Parsons has organised a fitting celebration in the form of six Lieder recitals at the Wigmore Hall, each with a different singer, which will embrace all the Goethe settings of that glorious period.

The first was on Wednesday with Olaf Baer, aspiring heir to the Wolf mantle. Since the Wolf Society recorded edition in the 1930s, which promulgated the composer's songs for the first time, his music has gained in currency and a distinct tradition of Wolf singing set in train by leading German Lieder singers: after the war Schwarzkopf and Fischer-Dieskau, and now Baer, to judge from his current programmes.

With Baer, however, that tradition has taken a turn. Unlike his immediate predecessors, this young baritone responds primarily to the music in the songs and the listener reacts accordingly. Faced with singing as relaxed and beautiful as that in atmospheric pieces like "Frühling über's Jahr" or "Nachtzauber", nobody is going to refuse the invitation to lean back and drink in this singer's flow of honeyed tone.

Where Baer does fall short, though, and in my opinion decisively so, is in any songs involving narration or personal feelings. In "Beherzigung" and "Der Musikant" I recall Schwarzkopf getting Wigmore audiences to bury their heads eagerly in their programmes to find out what such gripping texts could mean. At the same point Baer's listeners are still leaning back in their seats and a world of wry observation and poetic wisdom has passed them by.

In the first half we had Schubert, mostly from the early years. Although the voice had yet to settle into its best focus, there was much sensitive work to admire, notably in "An der Mond", where the young Schubert has his moon beaming down over the triplets of Beethoven's *Moonlight* Sonata. Geoffrey Parsons made much of that accompaniment, as he did the first of the many long Wolf piano postludes that await him over the next 12 months.

Richard Fairman

FPC Young Singer of the Year

PURCELL ROOM

The National Opera Studio, where advanced young opera-singers come for the final touches of what the Italians call *perfezionamento*, has found a novel way of providing the stimulus of competition among its students. This is competition without some of its more debilitating aspects: an annual concert of arias-with-piano, one per singer, before a small team of judges, with just one prize (of £1,000). The main advantage of this purely "in-house" event is that it is not of earthshattering significance for either the winner or the others – merely a very pleasant bonus.

For the Young Opera Singer of the Year prize, now two years old, the NOS have found an "angel" in the Financial Print and Communications company, who pay for the event, prize money included, and invite the guests to the Purcell Room. This kind of enlightened sponsorship, at the all-important student stage, is of enormous value in these difficult times; but evidently, as Wednesday's concert was so much enjoyed by everyone, the benefits work both ways.

Last year, the first, the judges were Geraint Evans, Anne Howells, and myself – so naturally I thought they got it right. This year, they were Lord Harewood, Josephine Barstow, and John Higgins – so naturally I'm at liberty to think they got it wrong! The standard of this year's 12 was both high and even, with no obvious disappointments, and final decisions must have been harder than last year. The prize went to the high soprano Tracy Bounden, who has already appeared at the Coliseum (while understudying Valerie Masterson in *Xerxes*). She sang Blonde's "Durch Zärtlichkeit," with great neatness, ease, and facility – no mean feat – in tones and manner I found soubrettish.

I was much more impressed by the baritone Jonathan Veira, who (in spite of unidiomatic German words) gave Wolfram's Evening Star air a depth of involvement and a range of dramatic colour untouched elsewhere – he has a big, exciting voice (rather like Ingvar Wixell's when young) which he uses with energy and musical authority, and he should go far. Of the others I should also mention two very interesting and promising sopranos on show, Regina Nathan (singing La Wally's aria with purity and dramatic power) and Helen Adams (a not quite polished Violetta of enormous potential); and two sparkling mezzos, Elizabeth McCormack and Louise Crane (who received a "special mention" for Eboli's Veil Song).

This event is both enjoyable and admirable: one hopes it will run and run.

Max Loppert

ARTS GUIDE

February 10-16

Continued from Page 14

MUSIC

London

English Chamber Orchestra conducted by Jeffrey Tate. (Mon) Barbican Hall (638 8891).
Young Musicians Symphony Orchestra presents a Tchaikovsky evening (Wed). Barbican Hall (638 8891).
London Symphony Orchestra conducted by Rafael Frühbeck de Burgos. Janice Cairns (soprano) and Janice Taylor (contralto) sing Verdi's requiem. Barbican Hall (638 8891).

Paris

Dame Janet Baker with Geoffrey Parsons. Schubert, Mahler, Mendelssohn, Fauré. (Mon) Théâtre de l'Athenée (47 42 67 27).
Orchestre Colonne conducted by Philippe Entremont, with Deszo Ranki (piano). Mozart, Bartok, Mendelssohn. (Mon) Théâtre des Champs Elysées (47 20 36 37).
Christa Ludwig (soprano), Charles Spencer (piano). Mahler's Lieder und Gesaenge aus der Jugendzeit. (Mon) Chatelet(40 28 28 28).

Vienna

Wiener Bachsolisten conducted by Ernst Wedam. Mozart, Haydn. (Wed). Musikverein.
Suk Kammerorchester conducted by Ahmed Elsaedi (Thurs) Musikverein.

Brussels

Jean Ferrard (organist) performs works of Messiaen Eglise des Carmes (Fri) (512 5045)
Liège Philharmonic Orchestra conducted by Pierre Bartholomew with Robert Groslot (piano) performing Bartok, Milhaud and Stravinsky. (Sun) Palais des Beaux-Arts (512-5045).
Andrei Nikolsky (piano) playing Chopin and Scriabin. (Wed) Palais des Beaux-Arts (512 5045).
RTBF Symphony Orchestra conducted by André Vandernoot performing Fountains of Rome by Respighi, Concerto for two pianos by Marcel Quinet and Tchaikovsky's Fifth Symphony. (Fri) Maison de la Radio.

Berlin

Berlin Philharmonic Orchestra under Riccardo Chailly and Jard van Nes (soprano). Dvorak and Berio (Fri, Sat) Philharmonie.

Rome

Juri Temirkanove conducting Rachmaninov's Symphonic Dances op. 45 and Prokofiev's 5th Symphony in B flat Major (Sun, Mon, Tues). Auditorium in Via Della Conciliazione (6541044).
Ivo Pogorelich piano recital. (Wed). Teatro Olimpico, Piazza Gentile da Fabriano. (393304).

Milan

Wolfgang Sawallisch conducting Haydn and Richard Strauss (Mon) Teatro Alla Scala (80.91.26).

Florence

Grzegorz Novak conducts the young Polish pianist Kristian Zimerman in a continuing series of Beethoven concerts with Leonora No.3, The Emperor Concerto and the 2nd Symphony (Fri, Sat and Sun). Teatro Communale (2779236)
Royal Concertgebouw Orchestra conducted by Herbert Blomstedt, with Yo-Yo Ma (cello). Haydn, Bruckner (Wed, Thur). (718 345).

Utrecht

Netherlands Philharmonic under Ken-Ichiro Kobayashi, with Joseph Swensen (violin). Weber, Bruch, Tchaikovsky (Mon).

New York

William Sharp baritone recital with Steven Blier (piano). Poulenc, Hugo Wolf, Virgil Thomson, John Musto, Paul Bowles, Eric Klein, Mark Blitzstein, Gershwin. (Mon) Carnegie Hall (247 7800)
New York Philharmonic conducted by Leonard Slatkin with Mark Peskanov (violin). Stanley Wolfe, Shostakovich. (Tue) Lincoln Center Avery Fisher Hall (799 9595).
Maria Joao Pires piano recital. Bach, Mozart, Schubert. (Tue) Carnegie Hall (247 7800).
Orpheus Chamber Orchestra with Arleen Auger (soprano). Haydn, Britten, Ginastera. (Wed) Carnegie Hall (247 7800)
Juilliard Orchestra conducted by Leonard Slatkin. Schwantner, Beethoven, Shostakovich. (Wed) Lincoln Center, Alice Tully Hall (874 6770)

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich, Andre Watts (piano). Holst, Schubert, Beethoven, Berlioz. (Tue) Kennedy Center, Concert Hall (254 3770)
Hermann Baumann French horn recital with Leonard Hokanson (piano). Chabrier, Brahms, Beethoven, Baumann, Pfleger, Dukas. (Tue) Kennedy Center, Terrace Theater (254 9895)
Prague Chamber Orchestra. Jeremy Menuhin (piano). Profofiev, Mozart, Delius, Dvorak. (Wed) Kennedy Center, Terrace Theater (254 9895)
National Symphony Orchestra conducted by Alessandro Siciliani. Rossini, Mendelssohn, Respighi. (Thur) Kennedy Center, Concert Hall (254 3770)

Chicago

Chicago Symphony Orchestra conducted by Erich Leinsdorf with Ruben Gonzalez (violin), Dale Clevenger (horn), Edward Dryzinsky (harp) and the Chicago Symphony Chorus. Haydn, Chausson, Brahms, Debussy. (Thur) Orchestra Hall (435 6666)

Tokyo

Dang Thai Son (piano). Chopin, Debussy. (Mon) Suntory Hall (235 2243)
Japanese Classical Music. Seiha Koto Ensemble. (Mon) Toshi Centre Hall, Akasaka Mitsuke (268 2965)
NHK Symphony Orchestra conducted by Horst Stein, with Isabelle van Keulen (violin). Kelterborn, Saint-Saens, Franck. (Wed, Thurs) NHK Hall (465 1780)
Tokyo Metropolitan Symphony Orchestra conducted by Jerzy Maksymiuk. (Wed) Tokyo Bunka Kaikan (822 0727)

Lutoslawski

FESTIVAL HALL

The programmes Lutoslawski has put together for the current Philharmonia series are as fastidious and lucidly conceived as his own music. Each places his work in a different context, teasing out the influences and setting up some unexpected correspondences. The last concert, for instance, will combine his Third Symphony and Cello Concerto with Haydn, and Wednesday's event gave an exclusively French setting to his jewel-like Double Concerto for oboe and harp.

Nothing in Lutoslawski's output is more deceptively simple than the Double Concerto: its textures (strings and percussion only) are thinned to diaphanous proportions, so that the smallest gestures – quick-witted oboe roulades, trickles of harp – tell instantly, and the movements can change their character from moment to moment. Though the sensibility and care of the instrumental parts have clear French affiliations, there is also a curious parallel with Britten in some passages, not so much in the solo parts themselves but in the orchestral writing around them.

It was outstandingly played here by the dedicatees Heinz and Ursula Holliger and accompanied by the Philharmonia under the composer's direction with some vividness. The Concerto emerged as more incisive than one remembered: the finale's curiously broken-backed march became a genuine catharsis, an almost surreal close to a work in which suggestion and half-statement have been the rule.

Esa-Pekka Salonen took charge of the remaining works and the high standard of execution was largely maintained. Michael Collins was a supple, inventive soloist in Debussy's clarinet Rhapsody, and the first suite from Ravel's *Daphnis and Chloe* made a refreshing change from its more familiar successor. Roussel's Third Symphony was meatily done, with the first movement given full symphonic weight, and the others the right degree of flamboyance. The appearance of a tambourine in a symphony always seems a shade *de trop* – it would only ever be allowed in a French symphony – but the finale was given with such good humour it was made to seem entirely appropriate.

Andrew Clements

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Bleak outlook in Afghanistan

THERE CAN no longer be any doubt that the Soviet Union is respecting the deadline, now only five days away, which was set by last April's Geneva accords for the withdrawal of Soviet troops from Afghanistan.

Nor can there be any doubt about the bleak future facing the long-suffering Afghan people. A shura (religious consultative assembly) meets today in Rawalpindi to try to formulate a pattern of government for the future; its delegates are divided by ambition and jealousy. Guerrilla groups which have lost more than 1m men resisting one of the world's military superpowers, and which in the beginning were often armed only with antique rifles and pride, apparently cannot conquer their internal differences to restore peace to their troubled land.

No tears need be wept for the Soviet humiliation. After the appalling damage done to Afghanistan, that was the least that Moscow deserved. The Soviet Union did, after all, continue to seed mines after the UN accords were signed – at least 30m mines, or two for each Afghan, lie buried and unmapped to blow the peasants and their livestock to pieces for years to come. But the clear demonstration that a great power can no longer automatically impose a regime or a political programme on a small neighbouring country by military force is something very much to be welcomed.

Arming clients

But celebrations even in Western capitals would hardly be seemly when the withdrawal leaves Afghanistan in such a sorry state and with hardly even a chance that the war is coming to an end. The West, particularly the US, must bear some responsibility for this. Last year's Geneva accords, of which the Soviet Union and the US were guarantors, did not serve the cause of a peaceful solution by implicitly permitting the superpowers to continue arming their respective clients in the conflict.

Of course it is unreasonable to expect perfect peace, any more than perfect democracy, in a country where tribal warfare has long been part of the traditional way of life. Whatever government is in power in Kabul, it is unlikely to have full control of all the countryside. But that does not mean the world should reconcile itself to seeing Afghanistan partitioned between two or three rival governments, each supported by an outside power.

National unity

The Soviet Union has recently been pleading for a government of national unity, the composition of which should be negotiated by all parties. It is understandable that the resistance should feel the Soviet Union has no credentials to make such a request and that the Communists whom Moscow maintained in power are collaborators with no right to any role in the new order. If the resistance were united and in a position to win a quick and orderly military victory, it would have a good moral and political case for doing so. But unhappily it is not. The dice have been loaded in favour of its most uncompromising elements by support from external interests, most notably Pakistan's military intelligence.

The US has been too slow to recognise that Pakistan's preferences in this matter were not dictated primarily by considerations of military efficiency, but by the desire to avoid the emergence in Kabul of a strong Pushtun leadership which might support separatist demands for "Pushtunistan" on the Pakistani side of the border. That led Pakistan, even when Ms Benazir Bhutto's father, Mr Zulfikar Ali Bhutto, was Prime Minister – in the days before there was a Communist regime in Kabul – to support Islamic dissident movements in Afghanistan.

As long as the first priority was to drive out the Soviet invaders, the West had some excuse for going along with Pakistani policy, since it was the necessary conduit for Western aid. But the moment has surely come for the West to insist that Pakistan allow the creation of a broad-based government, in which the Pushtun tribes that had always been the backbone of the Afghan state will be given their due weight.

Priority for tax reform

IN A PARALLEL universe, another Chancellor of the Exchequer has been preparing his budget speech. Using a hyperspatial channel of information about our UK, the parallel Treasury is developing an audacious proposal for reform of the hitherto unified system of income tax. A disgusted civil servant has, however, leaked an important internal memorandum on the subject.

"In 1988-89 our income tax raised the sum of £75bn, up from £38bn in 1979-80. This represents a small real increase over the period, a fact that undermines our claims to being a tax-cutting Government.

"Following our counterparts in the parallel universe, we should split our income tax into two components: one to be called 'income tax,' the other to be called 'national insurance contributions.' Your counterparts have gained extraordinary success in this way. Since 1979-80 nominal national insurance contributions have risen almost threefold over there, to £32bn, while income tax receipts have risen by only 63 per cent, to £42bn.

"You will find national insurance contributions a relatively invisible way of targeting favours on your most loyal supporters. For example, income in kind (notably, company cars) and investment income will be exempt from national insurance contributions. In addition, between the ceiling for national insurance contributions (£305 a week) and the floor for higher rate tax (around £500 a week for a married man with mortgage interest deductions of £3,000) the marginal rate of income tax and national insurance contributions, taken together, will be 25 per cent. This is well below the 34 per cent combined marginal rate that will apply to those earning between £105 and £305 a week.

Contributory principle

"The justification advanced for this form of taxation will be the contributory principle. Contributions will be deemed to go to the National Insurance Fund, from which are paid retirement pensions, sickness, invalidity and unemployment benefits. Your counterpart takes great pride in having reduced the Treasury contribution to the fund to 5 per cent of its revenues.

"The justification is, of course, bogus. National insurance contributions meet the criterion advanced by Mr Richard Darman, the Director of the US Office of Management and Budget: if it looks like a duck and quacks like a duck, it is a duck. National insurance contributions will not be related actuarially to benefits, but will be a form of hypothecated revenue. There will not even be a pretence of a contributory relationship in the case of employers' contributions, which are to be subject to no upper limit on earnings. In short, national insurance contributions quack loudly.

Indexed to inflation

"But the contributory principle can be used to justify an overall income tax that will become markedly less progressive with time. One reason in the parallel universe is that state pensions have been indexed to inflation, while the upper earnings limit for employees' national insurance contributions is related to the state pension. Consequently, that limit has been falling, from 43 per cent above average earnings in 1982 to only 24 per cent above it today.

"In addition, at the lower limit of national insurance contributions (at an income of £41 per week) and at the subsequent steps in the schedule (at £70 and £105 a week) the higher rates will be applicable to all earnings below that level. Consequently, the marginal rate of national insurance contribution will exceed 100 per cent at those points. The parallel Institute of Fiscal Studies has shown that bunching in the earnings distribution has been the result. We have been unable to discover any reason for these peculiarities, but presume there is one."

At this point "enough of this absurdity" is written in the Chancellor's hand. Apparently, he concluded that the scheme was simply unacceptable. Why then does the British Chancellor think that tax reform has been completed? National insurance contributions are a major distortion in the tax system. Mr Lawson has ignored the problem for too long.

David Marsh talks to West Germany's Helmut Kohl

A Chancellor for all seasons

Helmut Kohl, the West German Chancellor, intends to steam like a heavy-hulled Rhine barge through Bonn's political shoals.

After his latest election upset in West Berlin, squabbling in the government coalition and an international row over involvement of German companies in Libya's suspected chemical weapons factory, less self-confident men than Mr Kohl might be looking beleaguered. In fact, after being at the helm in Bonn for more than six years, he is responding to his difficulties by stoking up the governmental engines and ploughing on.

During a combative two-hour interview in the Chancellery this week, Mr Kohl went on the attack by calling for full exposure of other countries' involvement in construction of the Libyan plant. "If there are German firms involved, we will prosecute them with the full force of the law. And should there be American firms involved, or others, then the consequences should also be clear."

He brushed aside his Christian Democrats' setback in the Berlin poll at the end of last month – the latest in a string of regional election reverses over the past two years – as partly a reaction to "necessary cuts and sacrifices" the Government is trying to push through in vital areas like health spending. "What I have to do is to continue this policy with great decisiveness and staying power."

He made clear that Bonn will not be pushed into any early decision on new short-range nuclear missiles which the US and Britain want stationed in West Germany from the mid-1990s. Over the hotly debated "modernisation" of the Lance nuclear missiles, Mr Kohl says: "The real decision over the production (of any Lance successor) will be in 1991-92. Only then will the question of the ageing of Lance really come up for discussion."

This will be discussed at the Nato summit in London in the early summer. "I expect from our Nato partners that in a sensible conversation – and I have no doubt we will reach that – we will come to a common solution. The most stupid thing we could do would be to play ourselves off against each other. Then the Soviet Union would be winners. I want a common position. I will not allow anyone to doubt our will. Absolutely nobody."

The Chancellor deeply resents assertions elsewhere – particularly in the US after the Libyan affair – that the Federal Republic is becoming an unreliable partner in Nato, increasingly tempted by its ties to the East. "I stick to my position over the unity of the (German) nation. But the Federal Republic is part of the Western world. I said this to Gorbachev: there is no price at which we could be, so to speak, bought out."

The Chancellor resents assertions that West Germany is becoming an unreliable Nato partner

His underlying message for the West is that the rest of Nato and the European Community will have to accept a stronger and more assertive Federal Republic that will no longer allow itself to suffer a subtle form of international discrimination because of the Nazi past. And, by emphasising the growing polarisation of German politics between left and right, he delivers an unspoken warning. If Helmut Kohl and the CDU should fail, the West could find the alternative of a left-wing government very much more difficult to deal with.

Helmut Kohl: confident of election victory next year Terry Kirk

Mr Kohl says he has "not the slightest doubt" that his centre-right coalition will win the next general election at the end of 1990. He says left-wing elements taking a neutralist anti-Nato stance among the Social Democratic Party and the Greens "are not capable of achieving a majority." But, in areas like defence, he warns the West: "They want a different republic."

Burly and fearlessly anti-intellectual, he likes to point out that he was good at football, but he says he is also one of the chief users of the Bundestag's library. He is a man of massive certainty. Faustian wavering appears unknown. One of his favourite expressions is "entirely unequivocal."

On the other hand, he tends to be very defensive and thin-skinned. Many years of being the butt of the left-leaning parts of the German media have taught him to sense a barb in a question when none may be there. More than half a dozen times during our conversation, he retorted in one form or another that he did not need lessons in how to govern.

His mind wanders ceaselessly in search of a favourite anecdote or well-honed political slogan. Mr Kohl appears to relish a verbal tussle, and politely prefaces a diatribe with the word "Excuse me." An interviewer needs strong lungs – and also needs to enjoy being told by Mr Kohl in homely Palatinate German that his views are "absurd," "rubbish" or "nonsense."

In the Berlin election, the CDU lost control of the city government and saw the ultra-right Republican Party gather 7.5 per cent of the votes. Mr Kohl says that "through demagoguery," the Republicans, a nationalist grouping which has gained ground from disappointment on the right with Mr Kohl's policies, succeeded in highlighting the issue of the large presence of foreigners in the city.

Mr Kohl declares that Article 16 of the constitution, laying down the right to asylum in West Germany of those who are politically, racially or religiously persecuted, will not be changed. "This is the result of the experience of the Nazi barbarities." But he adds that, over the long run, "it is not tolerable politically" that the asylum laws should be misused by many thousands of "economic refugees" from the Third World.

He sees his domestic political problems squarely in terms of the challenges of the proposed post-1992 integrated European market. This, he says, provides the necessity for making often unpopular changes in the tax, pensions, telecommunications and health systems. "Like all other members of the European Community, the Federal Republic after 1992 will no longer be the same. Our problem is that we have prosperity today as never before. This prosperity has led to people becoming sated in certain respects. Too many people think this will automatically continue into the future. My duty is sometimes to tell people unpleasant things and to say that we cannot go on like this . . . We are the No 1 exporting country in the world and we will only be able to export if we continue to provide first class goods at sensible prices."

One of Mr Kohl's most pugnaciously expressed points is that the rest of the world does not understand the problems of trying to run a divided country with a proportional voting system, a liking for complex coalitions, with conscription and 900,000 troops (West German and Nato) stationed on a territory only 220 kilometres wide.

"You (in England) do not have the problem of low (military) flying *vis-à-vis* the population which we have. We have people who say we don't need any low flying at all. A lot of people would like that. My policies are to tell people that what is necessary must be done. We can reduce, certainly, the number of low flights. But we cannot do away with them altogether."

In spite of opinion polls showing a sizeable proportion of the population in favour of some sort of neutrality, Mr Kohl says "the great majority" stands fully behind Nato and the allied military presence. More strongly than elsewhere in the West, people in the Federal Republic believe the threat from the Soviet Union has declined. The Chancellor says this is because "we are the most frontally exposed country in the Western alliance . . . When Mr Gorbachev is in the White House, and when they sing (with President Reagan) songs in the evening there together like 'Moscow Nights,' people ask themselves whether the threat is the same."

Although declaring his whole-hearted support for, in the standard phrase, the "unity of the nation," Mr Kohl refuses to spell out precisely how German reunification could come about. "The idea – the vision – is that we want the political unity of Europe; and that freedom is more important than boundaries." On cutting down barriers with East Germany, he says: "Time is working for us. Mr (Erich) Honecker (the East German leader) can dig himself in, he can refuse to allow in magazines from the West, and now magazines from Moscow, but time will march on over his head." Mr Honecker's recent remark that the Berlin Wall could exist for another 50 or 100 years was "obviously . . . a sign of weakness."

Mr Kohl justifies the policy of buying prisoners' freedom from East Germany. "How is that immoral?," he asks. "That is a theoretical consideration which you can have in your editorial offices, because you do not have responsibility. We also pay money so that Germans in Romania can leave. Should I sit here in my office in the comfort of the Federal Republic and shut myself off from the personal fate and persecution and terrible sacrifices of these people?"

Mr Kohl rejects the idea that Germans are either extraordinarily good or extraordinarily bad.

He says that EC integration is acting as a magnet for East Germany. "Why should I change my policies? I do everything to maintain peace and freedom. Everything to stay in the Western community of values. Everything to build Europe. Everything to make the Federal Republic look to the future." With patience, this will all lead, one day and in some form, to unity with the East, he says.

Over Libya, Mr Kohl says the Federal Republic "will have to change our laws very quickly. We will need to sharpen our laws . . . so that no German citizens in any part of the world can be involved in the production of chemical weapons."

Were not Bonn's public relations over the affair badly managed? Instead of answering the question directly, Mr Kohl retorts that other Western countries export weapons to the Middle East and that the West German state cannot stop companies exporting unless there is proof they are breaking the law. "The whole time you say that the Germans have a special past. Why are you not fair and say that we need to pay special attention to the legal foundations of the state?" The Government was told in May 1988 of the American suspicions of German involvement in the Libyan plant. Mr Kohl says: "In October I heard for the first time of such a thing – the suspicion, from the BND (the German secret service), only the suspicion. We are a state based on law. If we do something different, many in the world write that they are after all Nazis, they do not have a state based on law."

He adds: "The Germans have nothing to hide. What angered us was the incredible assertions against Genscher (the Foreign Minister) and me in American newspapers."

Mr Kohl obviously likes power and says he enjoys the sense of duty – "I mean that you try to do the right thing." He claims he would not have difficulty filling his time if he were out of office. And he is honest enough to admit to some errors. Over the past six years he says he would have tackled "totally differently" the question of winning acceptance for his policies. "That is the real problem of a modern democracy – not just a German problem – that too few people can look beyond their own special situations."

He also admits that his indirect comparison in autumn 1986 between Mikhail Gorbachev and Joseph Goebbels was a mistake. Mr Gorbachev is coming to Bonn in June and Mr Kohl says: "It is in the interest of the West that Gorbachev pushes on with his 'opening' policy. When they open up to outside influences, we will come into quite a different competition of ideas and ideology."

The Chancellor rejects the oft-held idea that his countrymen are either extraordinarily good or extraordinarily bad. "The Germans are entirely normal people, just as in Britain. What do they want? They want to live in peace. They want to live in freedom. They want social justice. They want a good livelihood. They want happiness in life. They want to be glad, they don't want to walk around stressed, confronted from morning to evening with the burden of history. There are however people who want to persuade us that we should not be allowed to do this."

As for his own personality, he rejects all the clichés. "I do not sit out problems. There are those who say I do not read government documents. That is rubbish . . ." He dislikes suggestions that he succeeds only when the political sun shines. "If it is snowing outside, I have to put a thick coat on . . . The German republic is not a sunshine republic, and I am not a sunshine Chancellor. There are many people who say of me, the greater the pressure, the stronger I will be. And that's why you will see that I shall win the general election next year."

OBSERVER

A bunch of losers

■ The trouble with the British water industry is that it is so divided. It has no strong or bullying figure like Sir Denis Rooke of British Gas, Lord Marshall of the CEGB, or Lord King of British Airways capable of taking on ministers and officials in political in-fighting, and winning.

That is why the Government, for all the mess it has got itself into over water privatisation, still manages to run rings round the industry.

Technically, the 10 regional water authorities have been well served in the negotiations by a team led by Andrew Semple, the managing director of Anglian Water. His background as a former top civil servant at the Environment Department, where he was responsible for water, and then as secretary of the Water Authorities Association (WAA), gives him unrivalled knowledge to pit against the Government's advisers.

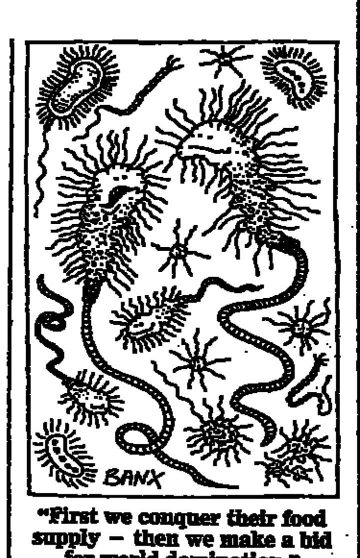
The problem is on the political front. The obvious leader should be Roy Watts, chairman of Thames, by far the largest of the 10. He is the person credited with launching the tortuous privatisation process when he challenged the Treasury early in 1985 for raising charges too much. He lost that battle, but persuaded ministers it might be sensible to get the Treasury off the industry's back.

But petty jealousies are too intense to allow him or anyone else to lead strongly. All 10 chairmen act like medieval barons, refusing to surrender sovereignty in the common cause. In particular, there is no affection between Watts and John Bellak, the dry – humoured, sharp – tongued chairman of Severn Trent, the second biggest authority.

The man who has drawn the short straw, as nominal head of the unruly group as chairman of the WAA, is Gordon Jones, the boss of Yorkshire Water. But he feels more at home in his Leeds redoubt than in the Westminster headquarters of the WAA, knowing that the prospect of uncompromising support from his colleagues is doubtful.

Most of the chairmen believe the Government is making some fundamental errors in the financial and regulatory preparations for flotation in November, but no one is speaking out. They are taking too seriously the autocratic advice from the Government's advisers, particularly Schroders, the merchant bankers, and Dewe Rogerson the marketing people, to keep quiet and have no dealings outside the industry, particularly with the media.

"United we stand, divided we fall . . . it is too often the latter," says one of the industry chiefs. So Nicholas Ridley, the Environment Secretary, can do more or less what he likes.



"First we conquer their food supply – then we make a bid for world domination."

Notwithholding

■ The casual reader of newspapers may be forgiven for thinking that a withholding tax is some continental disease about to be inflicted on British savers by bureaucrats in Brussels. That is not so: we have all been paying withholding taxes for years, though we might have called them by a different name.

"Withholding tax" is a generic term for a tax deducted at source from interest or dividend payments – like the composite rate tax levied on bank and building society receipts. But, usually, they are only called withholding taxes when applied to non-residents.

These taxes originate in countries which rely heavily on foreign investment. Taxmen try to levy their share before the cash flows out of their reach in the form of interest and dividend payments abroad.

It is no surprise that Latin American countries have some of the highest withholding tax rates on interest payments: 25 per cent in Brazil, up to 42 in Mexico and up to 45 per cent in Peru.

This type of levy provokes retaliatory action and is usually resolved in bilateral negotiation between governments. The results are enshrined in the network of double tax treaties which criss-cross the globe.

Thus the UK applies a range of different rates, depending on where interest or dividends are being remitted (and the bargaining power of the countries concerned): for instance, 15 per cent on interest payments to Belgium, 12 per cent to Spain, 10 per cent to France, and nothing to Germany.

International corporations have years of experience of using these different rates to their advantage when passing interest and dividends between subsidiaries in different countries. This creates a horrendous web for the European Commission to untangle – once it has settled the more mundane problem of taxing personal savings, that is.

New Europeans

■ Perhaps there really is a new British interest in Europe. Over 200 people turned up yesterday lunchtime to hear a talk by Christopher Patten, the Minister for Overseas Development, on the Lomé Convention at Jean Monnet House, as the London office of the European Commission is now called.

Almost the same number, though not the same people, turned up at the Reform Club the evening before for the launch of the Bruges Group, which is meant to foster intellectual debate about the future of the Community.

The Bruges Group, however, has already had its first dissension. John de Courcy Ling, the Tory MEP for Midlands Central, stood up and offered an undated cheque, but made a condition. He would date it, he said, only if the Group agreed to confine its political membership to the Conservative Party. Lord Harris of High Cross, the chairman, declined to give that assurance and the matter will now go to a committee.

Man's world

■ There have been too many men in Observer this week. It is not deliberate. We try quite hard to be balanced. But of all the appointments we write about, nearly every one seems to go to a man. Even the Bruges Group appears male-dominated, despite its spiritual leader.

But of course

■ Sign in a West Midlands Athletics Club: "A three minute mile is only a matter of time."

POLITICS TODAY

State planning fights back

By Joe Rogaly

When it comes to transport, Mrs Margaret Thatcher is beginning to look more like Mrs Barbara Castle every day.

Like who? Mrs Castle was Britain's Minister of Transport more than 20 years ago. Civil servants still remember her as a pillar of the Labour Left, a planner whose purposeful finger pointed to maps. Surely Mrs Thatcher, the apostle of free markets, is not becoming like that?

She is and she isn't. Mrs Castle's notions are not discussed in polite society. She used the favourite 1960s' phrase, "an integrated transport policy", and meant it. Mrs Thatcher decided some time last year that transport was "a nettle that must be grasped." This means that the central government must make strategic decisions about roads and railways and, well, er, integrate them.

There are important differences. Mrs Castle started with her perception of social need. Mrs Thatcher starts with a realisation that growth will be held back if there is not sufficient infrastructure. Mrs Castle assumed that the planning decisions she fought for in the Labour Cabinet would be financed by the taxpayers. Mrs Thatcher assumes that the plans she expects her Ministers to make will as far as possible be carried out by private businesses, using their own money (although she has to accept that taxpayers will continue to provide most of the capital).

This acceptance of central accountability for road and rail transport is a major change. As recently as a year ago transport was low on the list of Thatcherite priorities. Education was to be the triumph of 1988 (perhaps it was) and health the victory of 1989 (we shall see), but few people were talking about transport.

The change began when a member of the Downing Street staff prepared a paper on the privatisation of British Rail. This was leaked, with the consequence that public opinion was softened up for the announcement made by the Transport Secretary, Mr Paul Channon, at the Conservative party conference last autumn. Meanwhile traffic jams and crowded commuter trains were causing Conservative voters to grumble. The Government needed to be seen to be doing something.

At about the same time the Prime Minister's staff put up a paper showing the likely effect of the Channel Tunnel on British industry. This indicates that if the road and rail networks that head down from Glasgow, Manchester-Liverpool and the Midlands are left as they are, the South East will get all the business and the rest of the country will become a declining hinterland. Investment in road and rail should be tailored accordingly. Surely, it was argued, ministers and officials ought to stop thinking "transport" and start thinking "infrastructure?" It is my understanding that Mrs Thatcher and, by extension, Mr Channon, have bought this. They have a natural ally in the Department of Industry under Lord Young.

Mrs Thatcher, Mr Channon and Lord Young would doubtless not accept the way I have put it. Tory ministers prefer to dwell on the extension of private enterprise. National Bus, National Freight, British Airways, BAA, have all been privatised; BR's time will come. The Channel Tunnel is privately financed. There will soon be a green paper on the private funding of roads. In recent speeches Mr Channon has insisted that the Government does not believe that the provision of roads, railways, ports and airports is a state monopoly. Mr Michael Portillo, his promising junior at Transport, said on January 26: "We believe in allowing market forces to shape the provision of transport infrastructure and services."

Wait a minute. Mr Portillo also said something else. "The fact is," he went on, "that the Government is immensely involved in large areas of transport provision, and so whilst we wish to move towards the greater emergence of market forces, we are some long distance from their unfettered operation." In truth, this Thatcherite hands-off, free-market administration runs virtually all Britain's railways, London's subway and buses, and even London's traffic lights. It still builds all the trunk roads. It may not have a "Grand Plan", to use Mr Portillo's phrase, but planning is what it does. Its decisions will even help determine whether London will develop in an eastwards or a westwards direction. US conservatives might be shocked, but French planners would see no mystery in this.

Some Department of Transport officials are puzzled. From 1979 until 1988 they were told that words like "planning" and "integrated" could not be uttered, and especially not in the same sentence. Now, whatever the words, the sentiment has returned. The way their political masters put it is that state finance must be provided to build the infrastructure that the market would provide if the market was there to do the job. Sometimes the Government's ideas are almost pure Barbara Castle, as with proposals to build new railway tunnels under London. These will probably cost around £100m a mile. No honest business plan would justify an unsubsidised private investment. In the end some general taxpayers' money will probably have to be provided.

Even when the Government brings in private capital, as in the scheme to increase the capacity of the Docklands Light Railway, someone in a Whitehall department has to prepare policies, make drawings, submit proposals to ministers, perhaps let the case go to a Cabinet committee. The frontiers of the state are easier to roll back in rhetoric than in reality.

All of this has enhanced the role of Mr Channon. The Transport secretary and his opposition shadow, Mr John Prescott, have recently been brought into the headlines as a result of a series of transport disasters. The awful list is well-known. It includes the bomb that brought down the Boeing at Lockerbie, the subsequent airline crash on the M1 motorway, and the rail tragedy at Clapham. Yet even if none of these had taken place, the political spotlight would have been on transport this year.

There is some irony in this. Mr Channon does not usually score highly in the generally meaningless "who's up, who's down" gossip that so pre-occupies many politicians. He is now being given a chance to show how far he can be stretched. The series of disasters has come at the same time as the emergence of a strong prime ministerial will to ensure that her transport strategies are pushed ahead. She also has a political need to be seen to be tackling congestion.

Mr Prescott reminded her of this in the House of Commons on Tuesday. "When the Prime Minister said that she intended to put Britain back on its feet," he said, "I did not know that she meant that we would be walking, because that was faster than using public transport in the inner cities." The Labour spokesman has made good use of a portfolio allocated to him last year because it was hoped that he might vanish into it.

He would do better still if he had the wit to attack the Conservatives from the Right. This is where they are vulnerable, especially when it comes to transport policy. For the Government's Achilles heel is road pricing.

Let me explain. There will be no level playing field between road and rail until both have the same financial structure. Railway users pay separately for each journey. The fare is supposed to cover all BR's costs. Road users pay no tolls. They do pay for a licence to use the road, and they pay a petrol tax. This more than covers the cost of providing roads. It is not, however, an efficient pricing mechanism.

Tolls would do the trick. Yet there is a huge and understandable reluctance to erect toll booths for all of Britain's major roads. Even if this were to be done, minor roads would still be free at the point of use. We may soon see proposals for tolls for new privately-built roads, as is now the case for privately-financed bridges, but there appears to be no plan around for a general programme to build toll booths.

Technology could come to the rescue. It would be possible to put meters on private cars. In a famous experiment in Hong Kong these were read by roadside scanners. The drawback was that the police would then be able to tell where everyone had been. Meters need not do that. They could be fed by smart credit cards, just like Britain's new telephone booths. Drive with a full meter and the scanners will let you pass. Only when the meter is empty would you be billed, or turned back.

It has been calculated on the back of a 10 Downing Street envelope that if motorway users were charged an average of 10p per mile to feed their in-car meters, the revenue thus collected would about equal what is now collected in vehicle licence fees. The political trade-off is obvious: cut or abolish the licence fee in turn for a per-mile user charge. Petrol tax would remain as a revenue collector, or a lever to control the demand for environmentally undesirable gasolines. The 10p could be introduced as 1p, which would cover road upkeep, and increased when new construction programmes were announced. It could be varied by place, and time of travel. It would be a proper, flexible, road-pricing mechanism.

All this is intellectually attractive in Downing Street, but I doubt if they have the guts to do it. They talk it down at Transport. They might try an inside-London experiment, perhaps with special licence discs to enter the City, but they fear the wrath of motorists too much to go ahead with full per-mile charging. Yet it will happen eventually, either as a result of an environmentally-based rejection of juggernauts, or as a form of rationing inner-city road usage, or a combination of these. If Mrs Castle were in Mr Prescott's shoes today she would see the opportunity, and seize it.

LOMBARD

Hot air and bad managers

By John Plender

WATCHING the accountancy profession digging yet another hole for itself is one of the more entertaining spectator sports in the world of business. A big thank you, then, to all those who have contributed so generously to the debate on the valuation of goodwill. And let no one accuse the fourth estate of failing to do its bit. What follows is an unashamed attempt to stir the pot.

It would, of course, be inappropriate for journalists to attack those businessmen who have chosen to recognise the value of goodwill in their balance sheets. Newspaper management has not been slow to put substantial values on its own titles; and it has to be acknowledged that companies would not spend huge sums promoting brands, buying customers or acquiring successful service industry operations, if goodwill were so much hot air.

The problem is simply that the people who have been busy *revaluing intangible assets* have done so on a selective basis; the valuations have often been laughably devoid of either logic or theoretical justification; and the auditors, as usual, have obligingly done what they were told. Equally important, the rush to revalue has excluded intangible liabilities – like, for example, the present value of the future cost to the business of ongoing abysmal management.

To those brought up on orthodox accounting this may sound a mite paradoxical. The textbooks refer to superior management as a component of goodwill, but have nothing to say about the negative goodwill arising from poor management. Yet it clearly exists. If the acquisition merchants like Lord Hanson are to be believed, much of the enhanced value extracted from target companies in hostile takeovers comes simply from removing incumbent top management. Ask any manager at just below top level what is most frustrating about the job and the invariable response is that top management consistently fails to implement changes whose need is blindingly obvious.

Both positive and negative goodwill are clearly visible in some recent corporate *causes célèbres*. There is no doubt at all that goodwill attaches to the Burger King and Green Giant names owned by the US food concern Pillsbury. But the reason that Grand Metropolitan was able to snap up Pillsbury with remarkably little ado in a contested situation was that a great deal of bad will attached to the existing management in the eyes of investors.

Similarly, few would dispute that there is real goodwill in the employment agency businesses of Blue Arrow. But its shareholders might well feel that former Blue Arrow chief Tony Berry brought plenty of negative goodwill to the troubled group.

Of course, no incumbent management would ever put a realistic present value on the cost to the company of its own managerial incompetence. And indeed the valuation of positive goodwill is questionable on similar grounds. In his attempt to outline a conceptual framework for accounting standards, Professor David Solomons has argued that in the absence of a purchase and sale transaction any value placed on goodwill is likely to be too subjective for use in the balance sheet.

That sounds like common sense. But where would it leave bid candidates like United Biscuits, which believe that the stock market fails to appreciate the value of their brands and which have serious misgivings about the Accounting Standards Committee's view that the balance sheet is not a statement of corporate value? The short answer is surely that the food industry (among others) is becoming too obsessed with accounting principles and too little concerned with basic disclosure. If it revealed the profits from its more important brands, the stock market would cheerfully spare the company the cost of much jiggery-pokery from so-called independent valuers and do the job for free.

The market, admittedly, is not infallible. But it certainly works better when it is well informed.

LETTERS

Tax linked with growth

From Mr John Redwood MP.

Sir, Mr John Hills (Letters, February 7) is clever with numbers and with words, but his arguments are most misleading.

He now claims that the UK growth rate between 1948 and 1979 was higher than 1979-88, while taxes were also high. He should know that during the period of highest taxation, 1974-79, there was practically no growth, while the early years of his chosen timespan saw rapid recovery from the Second World War – and 13 years of Conservative governments spending considerably less of the national income than governments since 1964.

Cutting taxes at all levels of incomes eases the poverty and unemployment traps and provides a climate in which small business enterprise can flourish. If the tax regime of 1974-79 was so good for prosperity, why then had the economy performed so badly in the middle 1970s – and why did the government which imposed those taxes prove unpopular?

I am glad Mr Hills acknowledges that his "losses" of income do not mean that people are worse off: they are as hypothetical as his assertion that high taxes are good for growth.

John Redwood,
House of Commons, SW1

War against drug traffickers

From the Peruvian Ambassador.

Sir, It was refreshing to find in your article, "The Challenge of Drugs (January 26), recognition of the importance of fighting against drug trafficking in the areas of its demand as well as in the sources of production.

The government of President Garcia has been trying, since it took office in 1985, to suffocate this illegal business, in an unequal war with the wealthy and secretive producers who are now allied with the terrorist group which calls itself "Shining Path."

This war against vice has to be fought, though, in two fields: production and the consumption – the latter, in my view, being the most effective.

Carlos Raffo,
Peruvian Embassy,
52 Sloane Street, SW1

RSI stands for uncertainty

From Mr J.G. Moher.

Sir, As the trade union with the largest number of repetitive strain injury (RSI) damages claims approaching court hearings, may I comment on your article "The Hidden Strain of Computer Keyboards" (January 19)?

We experienced a rash of such cases between 1983 and 1985 during intensive keyboard operations at British Telecom units in Cardiff and Swindon, with all the symptoms you describe. Though the financial claims are very modest, these cases have unfortunately become the subject of drawn-out litigation because of uncertainties in the law of negligence as to who is to blame. British Telecom refuses to compensate our members for their injuries despite, in our opinion, a clear connection between their intensive keying duties and their tenosynovitis diseases. Obviously I do not wish to give further details at this stage.

Rightly, your article also refers to the "uncertainty in the medical profession about the exact cause of repetitive strain injuries." However, there is usually sufficient evidence in these cases for the lay manager to accept some connection. However, cases tend to suffer a lack of human (or good management) consideration when transferred to the legal arena. Individual cases become, instead, remote paper exercises about different files.

The role of experts deserves comment. Increasingly, the outcome of litigation depends on obtaining expert opinion most likely to impress a judge.

In our cases, each side has to engage ergonomic experts. Regrettably, these specialists are few – and seem to take advantage of their scarcity value, charging fees of £10,000 to £15,000 for a report involving a week's work. By the time legal, medical and ergonomics experts have litigated their way to a result, the costs incurred are likely to exceed, by far, any compensation recovered for the unfortunate victims. In this way the injured person suffers long delay and, maybe, little or no compensation. The company suffers also, in loss of goodwill from its staff.

There must be a better way.

J.G. Moher,
National Legal Officer,
National Communications Union,
Greystoke House,
150 Brunswick Road, W5

Storm warning for Kenya's teacup

From Mr Christopher Walton.

Sir, None of us who were responsible for the concept and planning of the Kenya Tea Development Authority (KTDA) in 1960 could have imagined the dramatic growth of that country's tea industry, consisting of small farms; it has become the largest tea producer in the world. As you point out ("Bhutto buoys Kenyan tea hopes," February 3), its tremendous success has contributed handsomely to Kenya's prosperity and post-independence political stability.

Inevitably, its success has created problems, one of which – the danger that one day the government would kill the goose that lays the golden egg – is well documented in your article. Alas, it has happened too often before. The other danger – that one day the principal aid agencies would withhold their financial support and walk away from KTDA – was entirely unforeseen.

I will not dwell on the first, except to express the fervent hope that the Government of Kenya will now demonstrate great statesmanship and encourage solutions to KTDA's problems which are economically and financially sound as well as politic.

By a close call, we came down in favour of a public rather than a private-sector initiative 30 years ago. With the benefit of hindsight, that may have been a mistake, but the opportunity to make the change remains. It has much merit. Certainly its sub-division into a number of small organisations should be considered. As it exists, KTDA is too big, too difficult to manage and too tempting to an avaricious government.

The unforeseen event was the decision by the World Bank in the mid-1970s to withhold further financial support to KTDA on the grounds that tea was considered a surplus commodity. The World Bank decision, in fact, applied to the financing of all tea development, but with built-in exceptions which, over time, cast doubts on its rigour. In practice, however, not only did the Bank fail to reward the successful exploitation of Kenya's comparative advantage in this crop, but it implicitly offered protection to inefficient tea production in other countries, notably in South Asia.

The World Bank's ruling has not gone unchallenged. It is to be hoped that it will now change its mind and come to the help of KTDA in its hour of need. Decline would not only represent a calamitous loss to Kenya, but also to its many friends, for whom the authority has stood out as one of the few successful agricultural schemes in Africa.

It is worth noting that the KTDA dates back to 1960, not 1964, when it merely adopted its present name. Credit for its existence rests substantially with our Commonwealth Development Corporation. It is to be hoped that, at this time, it will rise to the occasion.

Christopher Walton,
Wolfson College,
Oxford.

Aloof from the EMS

From Mr W. Grey.

Sir, So one of the latest of the Prime Minister's rooted objections to the European Monetary System (FT report, January 25) is its "inflexibility" as shown by "the forced response in other EMS countries to the recent rise in West German interest rates."

That "response" was not confined to EMS countries; Austria and Switzerland followed suit. And had not the UK stolen a march on its European neighbours on that score which still, to its cost, leaves that "inflexible" field trailing?

In marked contrast, a recent European survey (FT report, January 19) found a majority of business leaders already favouring the next step of European monetary union, including a single central bank running a single currency. Where will the UK, and in particular the City of London, stand then?

W. Grey,
12 Arden Road, Finchley, N3

FINANCIAL TIMES
Friday February 10 1989

Baker prepares team to take on world

The Secretary of State is choosing his staff with caution, reports Lionel Barber

WEARING a flak jacket and cowboy boots, Mr James Baker sat propped up against a persimmon tree in South Texas reading his classified State Department briefing book. The new US Secretary of State, we are informed in a colour spread in this week's edition of Time magazine, can both "stalk turkey and talk turkey".

Career diplomats at the State Department have fast discovered that life with James Addison Baker III is going to be a great deal different from the low-key, even cosy, relationship they enjoyed with Mr George Shultz.

Mr Baker, a former White House chief of staff and Treasury Secretary in the Reagan Administration, seems wary of his new colleagues: "This is one department, I'm told, that tends to capture you if you're not careful. I hope to be very careful. I want to be the President's man at the State Department instead of the State Department's man at the White House."

His first appointments betray this caution towards the bureaucracy. Mr Baker has surrounded himself with old Treasury loyalists such as Ms Margaret Tutwiler, Mr Robert Zoellick and Mr Robert Kimmitt, a former National Security council aide installed in the number three position as Undersecretary for Political Affairs, a slot traditionally reserved for the Foreign Service.

The one obvious exception is his choice of deputy: Mr Lawrence Eagleburger, the chain-smoking former aide to Dr Henry Kissinger who is overweight, suffers from emphysema and declares he relishes the chance to resume a much-acclaimed 27-year career at the State Department.

James Baker: Displayed preference for political deal making with Congress rather than talent spotting in the Foreign Service

Elsewhere, Mr Baker has displayed a preference for political deal-making with Congress rather than talent-spotting in the Foreign Service. Mr Richard McCormack, a former aide to Senator Jesse Helms of North Carolina, is to be Under-Secretary for economic affairs – a pure sop to the right wing (although Mr Helms's own staff are divided on Mr McCormack's merits and his conservative credentials).

Mr Bernard Aronson, the choice to succeed Mr Elliott Abrams in the Latin America post, is a Democrat who supports the Nicaraguan Contra rebels. The job of Mr Aronson, who does not speak Spanish and is unfamiliar with Latin America, is to forge a bipartisan policy on Central America. But in practice his background may alienate both conservative Republicans and liberal Democrats.

Mr Charles William Maynes, editor of Foreign Policy magazine, believes Mr Baker has missed opportunities in choosing staff in the posts of economic and political affairs.

"He starts out in the ball game with two big strikes against him," said Mr Maynes. "These people do not automatically enjoy respect on Capitol Hill and they may lack support from the permanent bureaucracy."

Mr Maynes is one of several critics who believe that over at the White House Mr Brent Scowcroft, President Bush's national security adviser, has so far picked a more high-powered foreign policy staff.

Mr Scowcroft, who has spent most of his adult life studying East-West relations, served a term as President Ford's national security adviser. Like Mr Eagleburger, with whom he occasionally sparred, Mr Scowcroft also worked as an aide to Dr Kissinger.

Dr K's network extends further through the foreign policy apparatus to Mr Peter Rodman, who served President Reagan and shares Mr Eagleburger's and Mr Scowcroft's skill at speaking Serbo-Croat. But the analogy need not go too far: "It is the Kissinger flavour, without the flamboyance," says Mr Michael Krepon, an arms control expert at the Washington-based Carnegie Institute.

Elsewhere, Mr Scowcroft has drawn on the highly-respected Kennedy School of Government in Harvard. Mr Robert Blackwill, a former ambassador to the Vienna talks on conventional arms, will take over as senior NSC director for European and Soviet affairs, a key intermediary in dealing with the Western Allies on the future course of arms control. Mr Richard Haass, a former State Department official, will be senior NSC director for the Near East and South Asia.

Mr Baker has yet to make clear who he has in mind for the parallel policy-making posts in the State Department. Mr Richard Murphy, the career diplomat in charge of Middle East policy, has just retired, leaving a vacancy. Mr Winston Lord, another former Kissinger aide and currently US ambassador for China, is in the running for the top Far East policy-making post, but so are others such as Mr Richard Armitage, currently at the Pentagon. Ms Rozanne Ridgway, head of the Europe desk, is certain to be replaced.

Mr Graham Allison, dean of the Kennedy School and a Soviet expert, said Mr Baker's close personal relationship with Mr Bush makes him secure as Secretary of State. Indeed, he praises Mr Baker's agreement – in contrast to Mr Shultz – to sit as a member of a White House foreign policy committee chaired by the National Security adviser. "The accent will be less on competition, more on co-operation," says Mr Allison.

If this proves to be the case, it will mark a decisive break with the past. National security advisers, starting with Dr Kissinger, have constantly feuded with the secretaries of state, to the detriment of US foreign policy. Under President Reagan, the clashes became intolerable, on subjects ranging from arms control to covert operations, and ended in the Iran-Contra scandal.

The new Bush Administration ought to be able to avoid this because it shares common views, starting with a scepticism of the Reagan Administration's late rush to embrace the Soviet Union. Several officials believe Mr Reagan put too much faith in his personal relationship with Mr Gorbachev, at the expense of a sober analysis and exploitation of change within the Communist system. Hence the current long-term review of US-Soviet relations.

The one criticism that some level at the new foreign policy team is that it has yet to pull in men and women with reputations for being iconoclasts, the kind of people to deal with a dynamic Mr Gorbachev and offer a "vision" of the world. Mr Allison says this is misleading: "All these people are careful and thoughtful. It is wrong to confuse experience with a lack of imagination."

THE LEX COLUMN

A warning shot for Mr Lawson

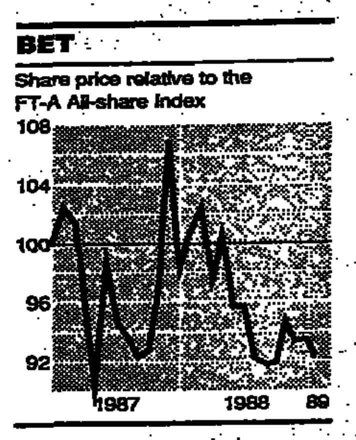
The objectives of a cautious central bank and an ambitious Chancellor with half an eye on the post of Foreign Secretary are so dissimilar that the warnings issued by the Bank yesterday should not to be taken too seriously by the market. The thinly disguised message to Mr Lawson in the Bank's latest Quarterly Bulletin is to keep up the pressure on interest rates for at least another 3 to 6 months, or until it becomes certain that demand really is slowing. The Bank sensibly argues for an unchanged fiscal stance, and for letting the automatic stabilisers do their bit in restraining a still rapid rate of growth.

On neither count is the Bank likely to get much of a hearing at the other end of town – which is a pity. Indeed, had the Chancellor adopted a more cautious line this time last year, the present inflationary peril might be considerably less severe. The Bank, as usual, declines to share the Chancellor's rosy view of the economy, is less confident about any downward trend in inflation, and is evidently expecting no improvement in the trade deficit this year. Even though the difference between a forecast deficit of £11bn and £14bn may be negligible for a series that is so dreadfully difficult to predict, the Chancellor surely needs to point to an improvement in the deficit this year to justify any tax cuts.

Meanwhile, the Bank's reminder of the unusually poor quality of the economic statistics is also salutary, as is its warning not to get too carried away by signs of lower expenditure. Still, Mr Lawson has plenty of other excuses ready to hand for the Budget-time cut in interest rates that the market expects – like yesterday's further reduction in M0 growth to just 6.8 per cent, for instance.

Car sales

As the Bank of England could attest, there are still plenty of consumers out there treating interest rates as a side issue – indeed, enough to boost new car sales in the UK by an extraordinary 13 per cent last month. In itself, that probably proves little about the effect of interest rates on demand: with Fiat offering incentives like zero per cent finance on the Uno, the level of base rates is somewhat academic. And at this time of year, most of the buyers are



companies anyway, rather than the individual consumer who is the Chancellor's main target.

Arguably, all the figures prove is that if the industry is willing to sacrifice margins to sell cars, the buyers are not about to stay away. But even if demand in February proves as freakishly high as this month's temperatures, nobody is predicting that 1989 as a whole is going to break any more records. New car registrations are still set to fall by 8 per cent or so this year – and that before one has any idea of whether tax breaks on company cars will survive the Budget.

Europe-wide, registrations will probably fall by only 3 or 4 per cent. And though the European Commission is no doubt correct that such a drop means more to a European carmaker than it would to the tougher Japanese, it comes at a time when European profitability is at unprecedented levels. The Commission thinks the level of demand masks serious weaknesses in the industry; but at this rate, it will be some time before one finds out for sure.

BET

If the debate over balance sheet values does nothing else, it is certainly bringing out the resourceful streak in Britain's finance directors. Some have conjured up new assets in the form of brands, others have made debt vanish off the balance sheet entirely. BET has come up with yet another wrinkle: borrow $500m in 28-day commercial paper, and call it shareholders' funds.

It is possible to sympathise not only with BET's predicament, but with the cheek of its solution. In the course of buying some 200 service companies, BET has written off purchased goodwill of £750m. The result is balance sheet gearing of over 40 per cent, ludicrously at odds with interest cover of 11 times. As the company points out, if the market were to settle for interest cover as the measure of all things, brand valuations and off-balance sheet shenanigans would become pointless. But if the market will focus on gearing, let it have debt which legally counts as preferred equity; and let each $100,000 borrowed have a nominal share value of $1,000, thus creating $99,000 of reserves against which future goodwill can be written off.

The curious question is why companies should bother. BET is not itself dumb enough to regard the new stock as equity; in its internal calculations of interest cover, it will count the dividends as interest. And if the whole structure is intended to keep the market happy, it may be asked which investor will accept as equity an instrument which is rolled over every 28 days at rates determined by the US commercial paper market.

Yet again, the whole issue is one for the accounting profession. The lawyer will correctly assert that preference capital of this kind is equity under the meaning of the Act: it is for the auditor to reply that such reliance on form rather than substance is inconsistent with a true and fair view. The way things are going, if UK companies end up subject to a US-style SEC, they will have their own ingenuity to blame.

Ericsson

The 66 per cent increase in Ericsson's profits shows that its decision last year to get out of data processing was almost as wise as its initial decision to get in was foolish. Simply by putting a stop to those losses, its profits are bound to rise again strongly this year, helped by the strength in its telecommunications business. Still, the 250 per cent increase in the shares over the last year is going it a bit, and even yesterday's big rise in the dividend may be not enough to keep the rally going.

In the longer term Ericsson may face a problem if it is to keep its fiercely independent streak. In terms of turnover it is in the same league as the likes of Northern Telecom, but in terms of capital is some $500m weaker – a pretty serious disadvantage in an industry obsessed with ever larger international mergers.

Outflow prompted by fear of tax changes

Trust assets flood out of Britain

By Richard Waters in London

ASSETS worth millions of pounds and held in trust in the UK have been flowing out of the country this week in an effort to avoid capital gains tax.

The outflow has been prompted by a widespread fear that the British Government is about to remove the tax advantages of setting up an offshore trust.

The most recent Inland Revenue estimate of the value of assets in trust in the UK was about £7bn ($12.2bn) in 1986. It is not known how much of this has now moved offshore, or the value of assets already held outside the country.

The fear surfaced at the start of this week when there were suggestions that the Government would impose an exit charge on assets put into overseas trusts after today.

Some tax advisers suggested the Government would act immediately the rumour emerged, rather than wait until the end of the week when assets had already been safely moved abroad. However, this proved unfounded.

"The gap between Tuesday and Friday has given us the time to export any trusts that we wanted to," said a tax expert at one large accountancy firm.

The firm's London office alone has set up about 50 offshore trusts this week.

If this has been matched by other firms, it suggests that hundreds of tax-avoidance schemes have been rushed through to beat the rumoured ending of tax privileges.

Each trust is likely to account for assets running into many thousands of pounds.

Establishing an offshore trust is expensive and there is a further annual running cost of about £5,000.

This means that offshore arrangements are worthwhile only for those planning to escape large amounts of capital gains tax.

Under present rules, tax does not fall due on a UK trust when it is exported, provided the assets have been held by the trust for at least six years.

Once offshore, the beneficiary of the trust enjoys considerable tax privileges. No tax falls due when the assets are sold; it is payable only on gains paid into the UK. This means the tax can be delayed or avoided altogether by keeping the proceeds out of the country.

Tax experts have been jittery about the prospects for overseas trusts since the summer when Mr Norman Lamont, Financial Secretary to the Treasury, announced a government review of how trusts were taxed. He said in particular that the use of non-resident trusts to avoid tax would be examined.

The Inland Revenue said yesterday it did not know of any plans to change the rules on offshore trusts, and dismissed the rumour as "Budget speculation".

Imposing an exit charge on trusts would mirror the Government's move in last year's Budget to impose a similar charge on companies which emigrate from the UK, further prompting expectations that a change in tax rules is in the offing.

Decision on Tower unlikely for two weeks

By Peter Riddell and Lionel Barber in Washington

THE FATE of Mr John Tower's nomination as US Defence Secretary is unlikely to be resolved for two weeks, amid backbiting and reservations among Republicans as well as increasing criticism among Democrats.

The Federal Bureau of Investigation is examining claims of financial impropriety associated with the Pentagon procurement scandal.

The earliest the Senate Armed Forces Committee can vote on the nominations is February 21. The Senate is in recess next week.

The delay opens the possibility of more damaging allegations as well as further paralysis in the Pentagon's senior decision-making, at a crucial time in the review of defence spending and strategy.

Doubts are being expressed on the Republican side about the competence of White House staff in handling the matter – in particular Mr John Sununu, the Chief of Staff, and Mr Boyden Gray, the chief counsel.

Senior officials and Congressmen are already being privately quoted in Washington as urging the withdrawal of the nomination, despite President Bush's continued public support.

Democrat leaders in Congress are criticising the White House for withholding information and are insisting on the full written evidence being made available to the committee.

An increasing number of Democrat Senators is now publicly expressing doubts about Mr Tower's fitness for the post.

The Tower affair, coupled with earlier slip-ups in the three-week life of the Bush Administration, has led to growing public worries by leading conservative commentators.

They have accused the President of weakness and misjudgment over his appointments and a lack of direction in the White House.

● Mr Allan McArtor will step down as head of the Federal Aviation Administration (FAA) after he returns from a meeting on international terrorism in Montreal next week, an FAA spokesman told AP-Dow Jones in Washington.

Transportation Secretary Samuel Skinner, who will lead a US delegation to the special session of the Council of the International Civil Aviation Organisation next week, had announced on Tuesday that Mr McArtor would be replaced.

The new Secretary of Transportation said he had "one or two" good candidates for the FAA post but would not say whom he might recommend.

Ministers back UN peace force in Central America

By Tim Coone in Managua

CENTRAL American foreign ministers have agreed to support the establishment of a UN observer force in each of the five Central American countries.

The force would consist of troops from West Germany, Canada, Spain and several as yet unspecified Latin American nations.

The formal proposal was presented to Mr Javier Pérez de Cuéllar, the UN Secretary-General, on Wednesday evening in New York, by the foreign ministers of Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala who are meeting this week to prepare the ground for next week's presidential summit in El Salvador.

Mr de Cuéllar has to present the proposal to the UN Security Council for approval. This vote will be crucial because the US, which has organised, financed and supplied the Nicaraguan Contra rebels, might decide to exercise its right to veto the proposal.

Foreign diplomats believe that failure this time by the five presidents to arrive at any substantial agreement in San Salvador either on control of cross-border insurgencies or on policies concerning human rights and civil liberties in each of their countries, could spell the end of the Esquipulas II peace process set in motion in August 1987.

Agreement at foreign minister level on establishing a UN observer force is thus a significant step forward because several countries have until now been reluctant to accept such a proposal. Honduras in particular, the base for an estimated 10,000 Contras who have waged war against Nicaragua since 1981, has in the past been particularly reluctant to open its southern border region to foreign observers.

The proposal would establish a mobile observer force in the capital of each of the five countries. Each force would be given total freedom of movement and the authority to inspect and report on any cross-border violations by regular or irregular troops.

Indian microchip industry hit by factory blaze

By David Housego in New Delhi

INDIAN ambitions to develop a capability in microelectronics suffered a setback yesterday after fire destroyed the country's only semiconductor plant making large-scale integrated circuits (ICs).

It was still unclear last night whether the fire at the state-owned Semiconductor Complex Ltd (SCL) at Chandigarh, the capital of the Punjab, was the result of sabotage or an accident. But it appeared to have wiped out SCL's Rs1bn ($71m) investment in IC design, fabrication and testing equipment.

Officials reckoned that it could have put back microelectronics development in the country – which is already lagging well behind that of East Asia – by more than a year.

The SCL plant specialises in custom-designed ASIC (application-specific integrated circuit) chips for the defence and telecommunications industries. But its main objective was to develop an Indian capability in micro-circuitry as being the driving force behind future industrial change.

The plant, however, had become a source of dispute because its output of customised chips was negligible beside the heavy foreign exchange investment it had made.

To generate more revenue SCL was expanding its production of high volume standard chips for watches. It announced sales over the last financial year of Rs123m.

This controversy seems likely to delay immediate replacement of the wafer fabrication equipment pending a review of SCL's overall performance and strategy.

One of the country's most senior advisers on development said yesterday that SCL needed better management and more foreign-trained engineers.

The state-owned Indian Telephone Industries, the country's main manufacturer of telecommunications equipment, had recently sought permission to establish its own IC plant to develop 1.5 micron chips. SCL had recently bought equipment to manufacture chips of 1.25 micron design.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	14	57	Malta	S	15	59	Rhodes	S	15	59
Algiers	C	14	57	Edinburgh	S	11	52	Manchester	S	08	46	Rio de J'o	C	35	95
Amsterdam	F	12	54	Faro	R	14	57	Manila	F	30	86	Roma	F	16	60
Athens	F	12	54	Florence	S	16	61	Melbourne	C	21	70	Salzburg	C	00	32
Bahrain	F	19	66	Frankfurt	C	03	37	Mexico City	C	20	68	San Francisco	R	08	42
Bangkok	F	32	90	Funchal	F	18	64	Miami	C	26	79	Seoul	F	05	41
Barcelona	F	14	57	Geneva	C	02	36	Milan	S	11	52	Singapore	F	32	90
Beirut	F	17	63	Gibraltar	R	14	57	Montreal	Sn	-3	27	Stockholm	F	03	37
Belfast	F	10	50	Glasgow	F	10	50	Moscow	C	06	43	Strasbourg	C	01	34
Belgrade	C	04	39	Guernsey	S	09	48	Munich	C	-1	30	Sydney	C	32	90
Berlin	F	10	50	Helsinki	F	00	32	Nairobi	C	24	75	Taipei	R	16	61
Biarritz	S	15	59	H Kong	R	13	55	Naples	S	14	57	Tangier	F	14	57
Bombay	S	26	79	Innsbruck	S	10	50	Nassau	F	28	82	Tel Aviv	F	17	63
Bordeaux	S	10	50	Inverness	S	09	48	New Delhi	F	21	70	Tenerife	S	18	64
Brussels	F	12	54	Islamabad	F	19	66	New York	C	03	37	Tokyo	C	13	55
Budapest	C	03	37	Istanbul	F	10	50	Nice	S	15	59	Toronto	Sn	-4	25
B. Aires	F	25	77	Jakarta	R	29	84	Nicosia	F	18	64	Tunis	S	16	61
Cairo	C	16	61	Jersey	S	10	50	Oporto	R	10	50	Valencia	S	13	55
Cape Town	S	25	77	Jo'burg	C	24	75	Oslo	C	04	39	Venice	S	11	52
Caracas	C	24	75	Lima	F	28	82	Paris	F	14	58	Vienna	C	04	39
Casablanca	S	16	61	Lisbon	C	12	54	Peking	S	05	41	Warsaw	C	08	46
Chicago	C	-7	19	London	F	12	54	Prague	C	00	32	Washington	-	-	-
Cologne	S	07	45	Los Angeles	R	12	53	Reykjavik	F	05	41	Zurich	Fg	-1	30
Copenhagen	C	09	48	Luxembourg	Fg	-1	30								
Corfu	F	15	59	Madrid	R	11	52								
Dallas	-	-	-	Majorca	F	14	57								
Dublin	C	10	50	Malaga	F	14	57								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK leveraged finance

Continued from Page 1

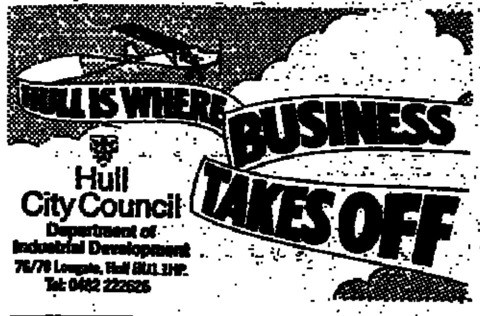
unlike ICG it will not originate deals.

The challenge facing ICG is to expand the mezzanine market, which is the smallest component of leveraged finance. According to some practitioners, mezzanine accounts for only five to 10 per cent of total financing. "I wonder how busy they're going to be?" asks one competitor.

However, ICG executives say that the growing supply of mezzanine money will itself stimulate the market and promote the growth of leveraged deals.

Although the launch of ICG could be seen as a further step towards the evolution of a US-style market in Europe, its founders say this is unlikely. They do not intend to stage hostile bids. Also, they have no plans to promote a junk bond market by securitising their financings.

Mr Jean-Loup de Gersigny, one of the founding executive directors, said: "I expect to see Europe evolve in its own way."



FINANCIAL TIMES
COMPANIES & MARKETS
Friday February 10 1989

INSIDE

Texas settles a beef with Europe

Texan beef producers believe they will be able to export their meat to the European Community despite its ban on hormone-treated imports, which has sparked a bitter trade dispute with the US. EC officials have been working with the Texas Department of Agriculture on a system for certifying meat as hormone-free, and the US Department of Agriculture is now co-operating with the plan. Page 32

Renison plays down dangers of Gold Fields bid fallout

Renison Goldfields Consolidated, the 48 per cent-owned Australian arm of Consolidated Gold Fields of the UK, has announced a 68 per cent jump in interim profits to a record A$35.5m (US$31.5m) after tax. Renison also set out to allay fears that fallout from the Minorco-Gold Fields bid battle would adversely affect its businesses. Page 24

Bearing fruit in the EC

Palestinian farm produce exports to the European Community have got off to a shaky start, after a protracted political battle between Brussels and Tel Aviv. Despite alleged spoiling tactics by the Israelis, however, West Bank farmers say they are pleased with European customers' initial response and are optimistic about prospects for the future. Page 32

European turnover still in the grip of New Year celebrations

The new year inspired a burst of activity in Europe's equity markets. The most vigorous were The Netherlands and West Germany, where volumes of shares traded in January rose by about 60 per cent over their already lively December totals, giving them their highest turnovers for more than a year. Page 46

Picture of profitability

Warner Communications, which last month acquired Lorimar Telepictures for $1.2bn, achieved strong fourth-quarter profits, pushing net income for the full year up from $328.1m to $423.2m. Revenues from film, music and cable broadcasting divisions all posted record highs, although the group's publishing division saw earnings fall. Page 20

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Linde	795	+	5
Falls			
Thyssen	217	−	3.9
Feldmuehle	318	−	5.5
Deutsche Bank	539	−	9
NEW YORK ($)			
Rises			
First Union	22½	+	1
Genentech	20	+	1¼
General Dev	18	+	2⅛
King World	26¼	+	1¼
Pan Am	3¾	+	⅜
Falls			
RJR Nabisco	81	−	19
PARIS (FFr)			
Rises			
Metaleurop	170.2	+	18.1
Nord Est	158.9	+	7.2
BNP Certs	338	+	14.6
Epeda	1223	+	48.9
Falls			
Cap Gemini	2540	−	25.5
Pechelbronn	1238	−	30.7
Locindus	796	−	24.3
TOKYO (Yen)			
Rises			
Olympus Optical	1340	+	200
Toyo Exterior	5800	+	800
Yuki Gosei K	1590	+	190
Falls			
Fuji Fire & M	1890	−	100
San-ai Oil	1920	−	90
Aderans	3000	−	200

New York prices at 12.30.

LONDON (Pence)			
Rises			
AAH	377	+	28
Abbott Mead V	271	+	12
Chamberlain Ph	197	+	43
Clayform	294	+	16
Cons Gld Flds	1454	+	12
DSC	57	+	5
Glamar Group	124	+	39
Havelock Europa	133	+	11
Helical Bar	315	+	10
Plaxton	239	+	13
Randsworth	252	+	12
TACE	213	+	12
Thouse Forte	291	+	9
Falls			
Brent Walker	343	−	12
Fields (Mrs)	31½	−	5½
GUS A	1136	−	22
Hogg Rob & GM	156	−	9
Lloyds Bank	376	−	11
London & Man	289	−	7
Northumbr	278	−	23
Pearson	714	−	29
Racal Telecom	271	−	12
Utd Newspapers	449	−	14
Wellcome	467	−	22

Ericsson boosts profits by 66%

By Robert Taylor in Stockholm

ERICSSON, the major Swedish telecommunications equipment group, boosted its profits before appropriations and taxes by 66 per cent last year from SKr1.06bn ($171m) to SKr1.84bn, and plans to raise its 1988 dividend by SKr1.50 to SKr10.50 per share.

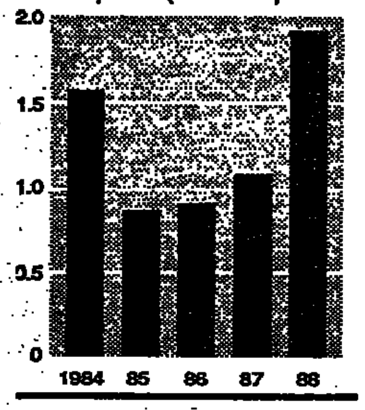
The performance shows that the company is enjoying an impressive recovery after a period of structural difficulty in the middle of the 1980s, mainly caused by its loss-making foray into the computer systems business.

Yesterday, Mr Bjorn Svedberg, chief executive, was in a confident mood as he presented the company's preliminary figures for 1988 in Stockholm's technical museum, surrounded by antique phones and switching gear from the founding period of the company at the end of the last century.

Net profit per share amounted to SKr27 last year – equal to SKr24 after the full conversion of debentures outstanding in 1988 – against SKr17.9 in 1987. The board intends to seek approval for the dividend increase at the annual general meeting on May 16.

Ericsson

Pre-tax profits (Skr billion)



Orders rose by 7 per cent last year from SKr33.405bn to SKr35.6bn, although net sales fell by 3 per cent from SKr32.4bn to SKr31.3bn.

The results vindicate the company's strategy of concentrating on its core telecommunications and mobile telephone business, where it has always been at its best, and divesting other activities.

Ericsson is convinced that its earnings and profitability will go on rising through this year and 1990 – an optimism shared by independent analysts.

Mr Svedberg reported that all business areas of the company, except defence systems, achieved a better performance last year compared with 1987.

"In a highly competitive industry that is subject to continuous, major changes, we have succeeded in further strengthening our position," he declared.

Ericsson has won substantial orders in recent months, particularly for its AXE switching system, but also for mobile telephones and the MD 110 private branch exchanges.

The company's global offensive is making serious inroads into Australia, the Middle East and Mexico, with increasing potential in Latin America. Ericsson has also become one of the leading telecommunications companies in the developing world, notably China with a promising huge market.

At the same time, Ericsson has strengthened its position in western Europe, notably with its acquisition of Intelsa, the Spanish telecommunication equipment supplier, and another deal which gave the company, in alliance with Matra of France, a 16 per cent share of the French market for digital telephone exchanges.

Yesterday the company announced it had acquired most of the telecommunications operations of Elektriska Bureau (EB), one of Norway's biggest industrial companies, 60 per cent-owned by Asea Brown Boveri, the Swedish-Swiss conglomerate. Ericsson agreed to sell its highway and railway signalling business to EB in return.

Ericsson will purchase EB's operations for the development and production of digital telephone exchange equipment as well as its activities in communications control systems. It is also to have a 50 per cent stake in EB's defence communications business. In total, Ericsson will acquire EB sectors with a total annual sales figure last year of NKr700m ($104m).

This latest deal is yet a further stage in Ericsson's grand concentration strategy. It is subject to the approval of both the Norwegian and Swedish Governments.

AT&T and Stet to discuss share link

By Alan Friedman in Milan

AMERICAN TELEPHONE & Telegraph (AT&T) is to begin technical and financial negotiations aimed at forging an international partnership, including shareholding links, with Italy's Stet-Italtel, the state-owned telecommunications group.

The US-Italian talks, which are expected to last two or three months, were given the go-ahead in Rome last night by the five-member executive committee of IRI, the giant state holding concern which controls Stet and Italtel.

This formal approval from IRI was the final hurdle to be cleared and came 48 hours after Stet's board recommended choosing AT&T after deliberating among four competing offers.

The other contenders for Italtel's hand – and for a piece of the L37,000bn ($27bn) of equipment and service contracts planned over the next five years as Italy modernises its telephone system – were Siemens of West Germany, Alcatel of France and Ericsson of Sweden.

Professor Romano Prodi, chairman of IRI, said last night that he was satisfied at the decision to go ahead, which he stressed was taken unanimously.

For once, therefore, a major decision by the state industry group was agreed without any conflict between Socialist and Christian Democrat members of the IRI executive committee.

It has been learnt, meanwhile, that the technical talks will include financial valuations which are likely to lead to shareholding ties.

It is understood Stet may acquire an equity stake in Network Systems International (NSI), the Netherlands-based telecom manufacturing venture formed in 1984 by AT&T and Philips of the Netherlands.

AT&T, in turn, is expected to negotiate the purchase of a shareholding in Italtel, the operative telecoms equipment subsidiary of the IRI-Stet group. Italtel had 1988 sales of L1,700bn.

Pearson boosts Elsevier holding in £78m deal

By Raymond Snoddy in London

PEARSON, the publishing, banking and oil services group, yesterday strengthened its growing relationship with Elsevier, the Dutch publisher, by buying a further 7.05 per cent held by Mr Robert Maxwell in a deal worth £78.3m ($136.2m).

Pearson issued 11m new shares for Mr Maxwell's Bishopsgate Investment Trust which held the Elsevier bearer depository receipts and the shares were immediately placed by Lazard Brothers and Baring Brothers at 715p a share.

Pearson closed 29p down at 714p yesterday.

Mr Maxwell, who for a time last year pursued Elsevier enthusiastically and expressed interest in all things Dutch, offered the shares to Pearson. Agreement was reached between Lord Blakenham, the Pearson chairman and chief executive and Mr Maxwell after one hour of talks on Wednesday. The price was fixed by Elsevier's closing price on the Dutch stock exchange that afternoon.

Mr Maxwell has already disposed of assets worth $1bn in recent months and said last week he intended to dispose of another $1bn worth of companies to reduce his borrowings following the acquisition of Macmillan, the US publishing company.

Apart from consolidating Pearson's links with Elsevier, yesterday's purchase further dilutes Mr Rupert Murdoch's stake in Pearson to 17.4 per cent and appears to strengthen further the company's defences against any possible predator.

In September, Pearson, whose publishing interests include the Financial Times, announced an exchange of shares with the Dutch publisher which was described by both parties as an engagement leading to a marriage.

Yesterday's deal means that Pearson now has a 22.48 per cent interest in Elsevier which in the six months to June 1988 had net income of Fl101m ($47.8m) on net sales of Fl787m.

Pearson and Elsevier have been exploring joint venture possibilities in both Europe and the US although no definite projects have yet been announced.

The first significant project however is likely to be a joint venture in financial newspaper publishing in The Netherlands. This will take the form of either acquiring an existing financial newspaper or starting a new one.

Apart from being strong in scientific journals, Elsevier publishes the influential Dutch newspaper NRC Handelsblad.

Lord Blakenham said yesterday: "I am delighted that we are now acquiring a further significant stake in Elsevier which is being made with their knowledge and support."

The exploration of future links between the two companies recently included three days of meetings in the US between Lord Blakenham, Mr Pierre Vinken, chairman of Elsevier, and top management on both sides.

NMB and Postbank set to merge

By Laura Raun in Amsterdam

NMB BANK, The Netherlands' fourth-largest bank, and Postbank, the Dutch state-owned bank, are expected shortly to announce plans to merge and partially privatise the Government's stake.

A combined NMB/Postbank would rank as the fourth-biggest bank in the Netherlands with assets of Fl 135.3bn ($64bn), based on 1987 figures. Combined earnings would amount to Fl 470m.

Bankers in Amsterdam believe that NMB will buy Postbank from the Government by exchanging its own shares for those of Postbank, perhaps one for three or four. That would leave the state with slightly less than half of a combined NMB/Postbank.

Part of that holding, perhaps one-third, would then be privatised. Efforts are still underway to determine a market value but a flotation this year seems likely, depending on market conditions.

NMB is expected to handle the issue itself or with a foreign company because other Dutch banks would get too close a look at the new competitors' books.

Investors reacted positively yesterday, bidding up NMB's share price to Fl 212.50 from a previous close of Fl 204.50.

BET plans $500m US preference issue

By Nikki Tait in London

BET, the UK-based support services group, plans to issue up to $500m of new variable dividend preference shares in the US.

A market in such securities exists only in the US, where outstanding issues now exceed $20bn. BET says it is the first non-US company to tap this market.

BET's dollar-denominated, cumulative redeemable preference shares will trade at their issue price, and carry variable dividend rates which are paid and reset every 28 days through an auction process.

The aim of the issue is to reduce BET's gearing and facilitate acquisitions. Many UK companies have found that the switch to cash-funded, rather than paper-funded acquisitions in the wake of the 1987 crash creates a problem when it comes to the treatment of goodwill - the difference between the price paid for a company and the value of its assets.

It is no longer possible to create a share premium account against which goodwill can be written off. As a result, acquisitive companies face the prospect of shareholders' funds being eroded.

Some companies have decided to include a "brand" valuation in their balance sheets. BET said it had decided against this option while the accountancy profession was so undecided about its merits.

Instead, via the current route, BET maintains that its equity will be boosted and its gearing reduced. The new shares will have a nominal value of $1,000 but probably be issued at $100,000, enlarging shareholders' funds by $99,000 for each share issued.

However, yesterday some analysts were more sceptical about the benefits. "Having spoken to a few institutions," said one, "I think they may view the preference shares as debt rather than equity."

BET currently has net debt of over £200m, against shareholders' funds of about £530m. However, over the past five years, it has written off about £750m of goodwill and says that goodwill accounts, on average, for about 80 per cent of acquisition considerations. Since it started to restructure its group more than six years ago, BET has bought around 300 companies and made about 60 disposals.

BET intends to issue only $150m of the new shares before its financial year ends on April 1. Further issues will be made in 1989-90, "when market conditions and acquisition timings warrant."

BET will also ask shareholders for permission to buy in up to 5 per cent of its ordinary shares. Some of the US issue proceeds may be used for this purpose.

Maxwell buys Thomas Cook in US and aids former UK unit

By Andrew Hill in London

MR ROBERT MAXWELL, the British publisher, yesterday demonstrated he still had a soft spot for engineering, negotiating a complex £40m ($69.2m) deal to restore the health of Hollis Industries.

Hollis was a Maxwell subsidiary and the vehicle for the publisher's UK engineering ambitions until it was sold to its management last July.

Separately, Mr Maxwell announced that he had taken up his option to buy Thomas Cook Travel, the fourth largest travel agent in the US, from Dun and Bradstreet for an undisclosed amount.

Mr Maxwell heralded the acquisition last October, when he bought most of the US publisher's Official Airline Guides division for $750m.

Both purchases have been made through Pergamon Group, a privately-owned subsidiary of the Liechtenstein-based Maxwell Foundation.

The private company will use the Thomas Cook name as part of a worldwide network of travel services, in agreement with Midland Bank, which still owns the UK Thomas Cook Group and sold Thomas Cook Travel to Dun and Bradstreet in 1985.

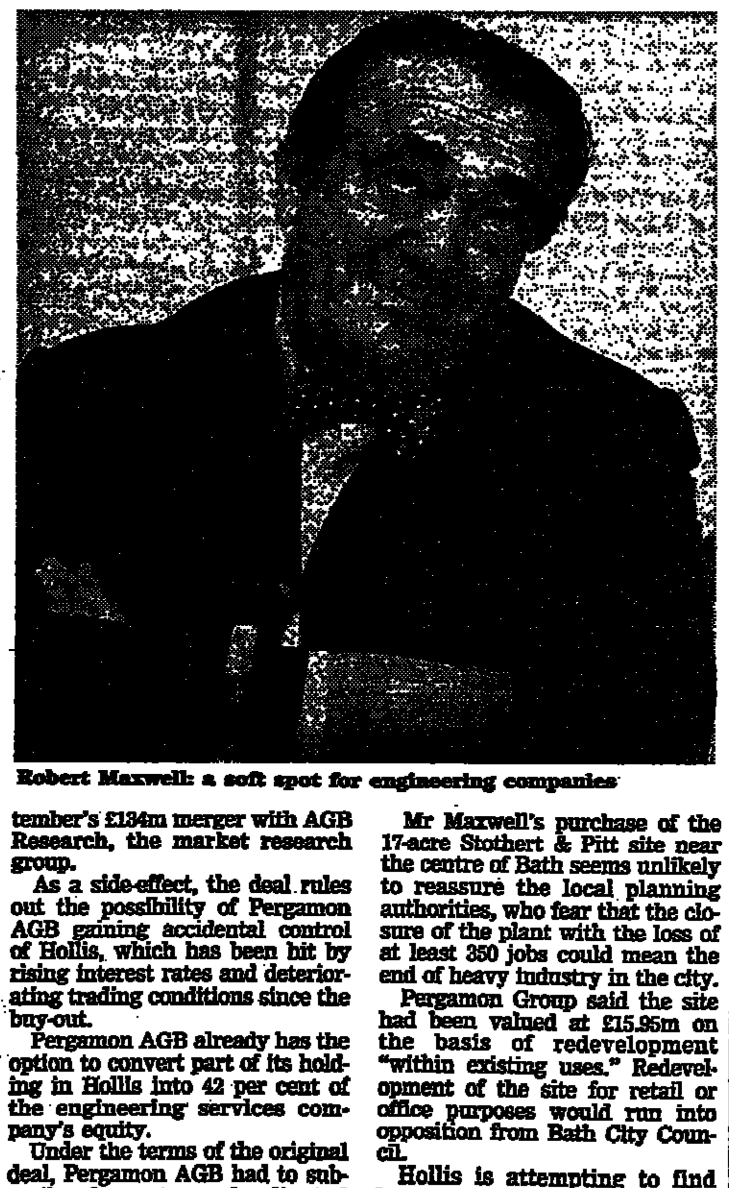
In Britain, Pergamon Group stepped in with a cash injection of £13.5m for Hollis.

It is also contributing a further £6m of capital, and subscribing £4m of non-cumulative unsecured loan notes.

In addition, Pergamon Group has bought the sensitive Stothert & Pitt crane-manufacturing site in Bath for £16.4m, and revised the buy-out terms. The move was negotiated with Hollis and Bankers Trust International, which funded the original buy-out with a £60m loan, and should eliminate most of the debt incurred in last year's £105m deal.

Pergamon Group's support of Hollis safeguards Pergamon AGB's investment in the private engineering company, and limits the research and services group's liability to £4m.

Pergamon Group owns 57 per cent of Pergamon AGB, a London-listed company which was formed from the professional services operations left over after the sale of Mr Maxwell's engineering interests, and last September's £134m merger with AGB Research, the market research group.



Robert Maxwell: a soft spot for engineering companies

As a side-effect, the deal rules out the possibility of Pergamon AGB gaining accidental control of Hollis, which has been hit by rising interest rates and deteriorating trading conditions since the buy-out.

Pergamon AGB already has the option to convert part of its holding in Hollis into 42 per cent of the engineering services company's equity.

Under the terms of the original deal, Pergamon AGB had to subscribe for extra subordinated loan notes if Hollis sold any of its businesses for less than £25m within three years of the buy-out.

The unexpected closure of Stothert & Pitt, announced last month, would have meant Pergamon AGB paying Hollis about £30m, and perhaps gaining an option over more than 50 per cent of the Bath-based company. Under the new deal Pergamon AGB's liability is limited to £4m.

Mr Maxwell's purchase of the 17-acre Stothert & Pitt site near the centre of Bath seems unlikely to reassure the local planning authorities, who fear that the closure of the plant with the loss of at least 350 jobs could mean the end of heavy industry in the city.

Pergamon Group said the site had been valued at £15.55m on the basis of redevelopment "within existing uses." Redevelopment of the site for retail or office purposes would run into opposition from Bath City Council.

Hollis is attempting to find buyers for separate parts of Stothert.

Yesterday's Pergamon Group statement said Multiphase Systems, a company formed last September to develop and make pump systems designed by Stothert for offshore oil and gas platforms, would be retained.

Hollis said negotiations were continuing with prospective purchasers of other parts of the business.

Sears gains despite retail pressure

By James Buchan in New York

SEARS ROEBUCK, the world's largest retailer which is attempting to reshape its immense department store and mail order businesses, yesterday reported an 11 per cent gain in its net income before special charges in the fourth quarter, despite continued pressure on profits in retailing.

The gain, which took net income before special charges from $554.4m or $1.46 a share in the 1987 fourth quarter to $618m or $1.65 a share, was entirely due to a turnround at Sears financial services and real estate operations. Sears core merchandise group and its Allstate insurance operations both reduced their profit contributions. Sales rose 9 per cent to $14.56bn.

The improved fourth quarter still left Sears with net income for the year, before non-recurring items, of $1.59bn or $4.19 a share, down from a restated $1.63bn or $4.30.

Revenues increased by 9.5 per cent to $50.25bn.

But the poor performance of the merchandise group in the quarter shows the scale of the problem facing Sears management as it struggles to reorient the $30bn business in the face of intense competition from discount and specialty retailers.

Fourth-quarter operating income from merchandise fell from $414.9m to $328.5m because of competitive pressures on profits, especially in apparel.

All these figures exclude a $442m charge announced in late October as part of a restructuring of the merchandise group, as well as accounting changes.

The Allstate insurance group, traditionally the jewel of Sears operations, also reported a decline in profits, from $217.2m to $206.3m, largely because of a loss on the sale of the company's group life-health business.

The improvements came at Dean Witter financial services, which converted a loss of $33.8m to a profit of $26.3m, thanks to a better performance at the Dean Witter securities firm and a fourth consecutive quarter of profit from Discover, Sears' new credit card.

The Coldwell Banker real estate operation also moved into profit, with sales of buildings making up for losses on the group's heavy expansion.

Mr Edward Brennan, chairman, said: "We expect healthy gains in disposable income due to rising employment and the absence of tax increases. This should allow consumers to increase their spending on general merchandise and step up their investments in financial services."

Colgate earnings almost double

By James Buchan

COLGATE-PALMOLIVE, the US household products group, yesterday reported a near doubling in fourth-quarter earnings from its basic businesses, thanks largely to strong performances in its overseas personal products operations and good sales of pet food.

The strong quarter, which saw income from continuing operations rise 91 per cent to $43.7m or 64 cents a share, completed a year of big gains for the New York company.

Though sales for the year grew just 8 per cent to $4.73bn, a mixture of cost cutting and price gains pushed up earnings from continuing operations by 34 per cent to $194.7m or $2.84 a share.

But Colgate, which has just completed a strategic retreat to its base in consumer products, booked a set of special gains and losses to its earnings in the quarter and the year.

The company also sold its health-care subsidiary last autumn, cutting out nearly $60m in annual earnings but adding a capital gain of $125m.

Including all these non-recurring features, Colgate reported earnings of $126.7m or $1.85 a share in the December quarter against $38.4m and 56 cents a share.

The annual results were $317.8m or $4.64 a share in 1988, up from $54.0m and 78 cents.

In its household and personal products business, sales rose 7 per cent and operating profits by more, thanks to operating efficiencies in Colgate's foreign business.

Colgate's domestic operation declined, partly because of new product spending.

But the specialty marketing division saw revenues grow 27 per cent, with particularly strong gains in pet food.

Mr Reuben Mark, chairman, said: "Our enhanced profitability stems from the growing effectiveness of our cost reduction programmes, selective price increases, and unit volume growth of 2 per cent, which marks our sixth consecutive year of increased volume."

Troubled Pan Am 'may be put up for sale or merged'

By Anatole Kaletsky in New York

PAN AMERICAN World Airways, the troubled US air carrier which has lost over $2bn in the past decade, could be put up for sale or merged with another airline, its chairman, Mr Thomas Plaskett, strongly suggested yesterday.

Mr Plaskett's statement came one day after Pan Am won a package of valuable work-rule concessions from its biggest union.

The agreement with the Transport Workers Union meant that Pan Am could finally look forward to a period of labour stability after five years in which it had been continuously in dispute with one or more of its main employee groups.

Mr Plaskett's statement, along with the TWU pay deal, encouraged a further rise in Pan Am's shares, which have now risen by 50 per cent in the past month.

The soaring share price has partly reflected hopes that labour cost savings would ensure the airline's survival.

The shares, which jumped another $⅜ or 11 per cent yesterday to $3¾, have also benefited from expectations of an imminent strike at Eastern Airlines, Pan Am's only competitor on the lucrative New York-Washington-Boston shuttle routes.

In addition, there has been speculation that Pan Am might be taken over by another financially stronger airline wishing to gain access to its unrivalled network of international routes.

Mr Plaskett's remarks yesterday seemed to fuel such hopes. He said the company's operations must "build or become part of a larger route network to maximise the value of Pan Am's European and South American route franchises."

This building could be accomplished by Pan Am acquiring or being acquired by another carrier, by an investor acquiring both Pan Am and another US airline or by a business combination with a foreign carrier, he said.

However, Mr Plaskett added that no substantive talks concerning any such deals were under way.

The deal with the Transport Workers Union, concluded as a result of binding arbitration, could remove one obstacle to any business combination.

It also gives Pan Am savings of about $21m annually.

While this is about 20 per cent less than the $27m total that had been requested by management, it brings to nearly $180m the total value of pay cuts and work-rule concessions negotiated by the airline since early last year.

Pan Am's total expenses amount to about $4bn annually.

Before the deal with the TWU, which represents 5,700 mechanics and ground staff, Pan Am had concluded agreements with the pilots' and flight attendants' unions.

Last February the company imposed a new contract on the Teamsters, who acted for its sales and reservation agents, after the National Mediation Board declared an impasse in the negotiations for a new agreement.

This left the Teamsters free to strike, and their decision not to do so effectively meant acquiescence in the $38m worth of pay concessions imposed by Pan Am.

The TWU, unlike the other unions, agreed to binding arbitration on a new contract and as a result of this was able to scale back Pan Am's demands.

The arbitrator rejected Pan Am's demands for cuts in wages and holidays, achieving the savings instead through changes in work rules, and lower wages for newly hired staff.

With the TWU contract settled, Pan Am could now benefit from three years of stability in labour relations at a time when several other US airlines face the expiry of their three-year labour contracts.

Sterling adds to Kodak rise

By James Buchan

EASTMAN KODAK, the world's largest maker of photographic products, reported a striking gain in sales and earnings in the three months to December.

Much of the increase came from its new Sterling Drug pharmaceuticals business but sales and profits from traditional film and chemicals also advanced strongly, both at home and abroad.

The Rochester, New York, company, which spent $5.1bn on Sterling Drug a year ago in a bold effort to build a new business line, said its earnings in the December quarter rose by 29 per cent to $312m or 96 cents a share on a equivalent rise in sales to $4.54bn.

The fourth-quarter performance topped out a year in which Kodak enjoyed a 19 per cent gain in net income to $1.40bn or $4.31 a share on a 28 per cent rise in sales to $17.03bn.

Mr Colby Chandler, chairman, said he expected a good performance from all divisions in the current year. "We look to 1989 as another year of vigorous growth in sales and earnings," he said.

The bulk of the gains came from the inclusion of Sterling Drug, which is contributing sales of about $2.5bn a year, primarily 35mm colour film, and price gains in chemicals.

Warner records strong growth

By Karen Zagor in New York

WARNER Communications, which last month acquired Lorimar Telepictures for $1.2bn, yesterday reported strong annual and fourth-quarter profits.

Revenues from its film, music and cable and broadcasting divisions all posted record highs, although the group's publishing division saw earnings fall.

Fourth-quarter net income was $101.1m or 63 cents a share, on revenues of $1.2bn, compared with $92m or 59 cents, on revenues of $1.02bn.

For the year, net income was $423.2m or $2.65, against $328.1m or $2.09, on revenues which rose to $4.21bn from $3.4bn the previous year.

Mr Steven Ross, chairman and chief executive, said: "The worldwide demand for our entertainment products has never been stronger and the outlook for our businesses in the future remains bright."

The most dramatic gains were in Warner's music division, which posted a 49 per cent increase in annual earnings of $319m from $213.9m the previous year.

Operating income for the quarter was up 50 per cent at $98.2m from $65.5m. Worldwide unit sales of compact discs rose 60 per cent in the fourth quarter.

Mr Ross attributed the record division's exceptional performance to a broad group of popular releases.

The company's cable and broadcasting division saw fourth-quarter operating income rise to $21.5m from $16m while annual earnings improved to $75m from $46.1m.

Warner's film division reported fourth-quarter earnings of $40.1, compared with $39.1m, and operating income for the year was $208m from $176.4m in 1987.

The improved profits were partly due to record television syndication revenues, international film rentals and domestic and international home video sales.

Warner's publishing business was the only division to report losses for the period, with fourth-quarter earnings down to $2.6m from $4.4m while operating income for the year dropped to $10.5m from $11.6m.

TRW sees progress in all units

By Our Financial Staff

TRW, the US vehicle parts and electronic systems group; expects improved performances from all three of its core businesses after an earnings increase at the year-end.

The group, which has been restructuring, lifted full-year net income to $261m, or $4.23 per diluted share, up from $243m, or $3.95 in 1987. Revenues rose to $6.98bn from $6.82bn.

The company experienced a downturn in the fourth quarter with net income dipping to $56m or 90 cents per diluted share from $67m or $1.10 a share for the same quarter in 1987. Fourth-quarter revenue was also lower at $1.71bn, against $1.74bn.

TRW attributed the fourth-quarter decline to the absence of gains from the sale of its commercial electronic components businesses in the fourth quarter of 1987.

Eaton, which also covers the vehicle components and electronics sectors, announced record earnings and sales for the year.

The group, which has several plants in the UK, lifted net income from continuing operations to $227.7m or $6.11 a share from $206.2m or $4.89 last time on sales ahead 12 per cent to $3.5bn from $3.1bn.

In the fourth quarter, income from continuing operations rose to $50.2m or $1.35, against $43.9m or $1.11. Sales rose to $890.9m, against $796.4m. Profits were strong and the group approved $220m in future capital projects.

KLM shows modest rise as costs climb by 7%

By Laura Raun in Amsterdam

KLM Royal Dutch Airlines lifted earnings modestly in the third quarter as revenue rose at the same pace as costs.

Profits increased 5 per cent to Fl 60.8m ($28.8m) or Fl 1.15 a share in the quarter, from Fl 57.8m or Fl 1.14 a share a year earlier.

KLM, which is 34 per cent owned by the Dutch Government, said it expected full-year earnings to exceed the Fl 314m achieved in the previous year.

Traffic expanded 6 per cent and the load factor edged up to 71.6 per cent from 71.4 per cent.

Revenue climbed by 7 per cent to Fl 1.48bn in the third quarter from Fl 1.39bn, but costs also rose 7 per cent as a decline in fuel failed to offset increases in materials, overheads and salaries.

Operating income advanced 5 per cent to Fl 63.2m. Book profits on aircraft sales jumped to Fl 8.9m from Fl 5.3m.

Reserves for taxes, which KLM will pay for the first time this year, amounted to Fl 18.1m, up from zero the year before.

For the first nine months, profits climbed 7 per cent to Fl 346.6m, or Fl 6.56 a share, from Fl 322.7m, or Fl 6.35, on turnover which jumped 8 per cent to Fl 4.62bn from Fl 4.26bn.

NWA ahead as aircraft ordered

By Our Financial Staff

NWA, which owns Northwest Airlines, yesterday reported stronger than expected fourth-quarter earnings. It also ordered 10 Airbus A-330 airliners, valued at $98m each.

NWA said fourth-quarter net income jumped to $34m or $1.16 a share from $21,000 a year ago on sales which were static at $29m. The stock gained $¾ to $84¼ after rising as high as $85¾, near its 52-week high of $85¾.

At the year-end, the net rose to $135.1m from $103m and earnings per share to $4.63 from $3.59 on revenues of $5.65bn against $5.14bn. The first A-330 will be delivered in July 1994.

"We believe in you."

To anyone who supplies a product or service in today's competitive business environment, those are four of the most precious words to hear.

Those are exactly the words the people of American Airlines want to hear from their customers.

The modernization of their fleet in the next few years should go far in maintaining the American tradition of a world-class airline the customer can believe in.

That's why we at GE Aircraft Engines are understandably proud that American has agreed to purchase up to 200 CF6-80C2 engines to power their new widebody fleet.

In 1968, American Airlines was the first customer for our new class of large commercial engines. This partnership has grown until it transcends not only the management and employees of both our companies, today it includes our suppliers as well.

"We believe in you."

Nice words to hear in a world where *Keeping the promise* isn't always a given.

GE Aircraft Engines
Keeping the Promise

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64935	66013	67040	68296	69521	70740	72043	73328	74691
64938	66018	67043	68304	69524	70744	72046	73334	74696
64941	66020	67048	68307	69527	70747	72076	73339	74698
64942	66031	67060	68308	69530	70751	72080	73340	74705
64957	66036	67062	68313	69535	70758	72085	73352	74706
64961	66043	67073	68334	69542	70760	72088	73358	74709
64973	66051	67079	68346	69544	70770	72090	73370	74712
64976	66064	67080	68363	69549	70775	72095	73372	74713
64995	66075	67083	68366	69553	70780	72107	73377	74723
64996	66076	67090	68379	69556	70805	72109	73384	74725
65006	66080	67092	68394	69558	70808	72114	73389	74742
65012	66089	67096	68397	69572	70819	72131	73402	74749
65019	66095	67100	68403	69575	70830	72138	73412	74750
65026	66096	67103	68412	69594	70836	72150	73413	74751
65028	66099	67104	68415	69599	70839	72179	73425	74759
65029	66107	67109	68423	69622	70842	72185	73426	74767
65031	66110	67123	68424	69625	70845	72194	73431	74768
65038	66111	67127	68428	69633	70872	72213	73445	74770
65041	66120	67136	68434	69645	70883	72215	73472	74773
65045	66121	67140	68440	69652	70885	72218	73479	74791
65051	66127	67141	68442	69653	70896	72226	73495	74813
65056	66128	67150	68449	69654	70898	72228	73497	74820
65065	66138	67154	68474	69671	70908	72234	73498	74831
65068	66139	67157	68476	69677	70912	72243	73507	74836
65069	66158	67163	68479	69680	70913	72245	73512	74873
65073	66160	67186	68490	69681	70921	72248	73534	74874
65082	66161	67195	68492	69683	70925	72264	73537	74877
65091	66166	67198	68495	69695	70934	72268	73548	74884
65097	66170	67212	68496	69702	70935	72277	73554	74888
65101	66181	67224	68498	69703	70950	72299	73568	74894
65110	66184	67227	68506	69704	70951	72306	73570	74903
65114	66188	67228	68509	69710	70955	72311	73583	74907
65120	66200	67229	68530	69714	70965	72312	73588	74929
65124	66207	67231	68550	69729	70982	72323	73597	74938
65128	66208	67241	68553	69745	70988	72341	73601	74959
65130	66223	67249	68568	69751	70989	72347	73606	74970
65144	66240	67258	68572	69753	70995	72349	73607	74987
65150	66243	67259	68574	69758	70997	72352	73609	
65154	66251	67260	68599	69777	71002	72357	73620	
65159	66255	67262	68610	69781	71004	72369	73626	
65173	66266	67279	68620	69785	71030	72384	73633	
65178	66270	67278	68626	69792	71041	72390	73643	
65186	66282	67291	68650	69812	71045	72393	73653	

Accordingly, on 15th March, 1989 the Bonds so designated for redemption will become due. Payment will be made upon presentation and surrender thereof of the above Bonds at one hundred per cent (100%) of the principal amount thereof in United States Dollars, at the option of the holder, subject to any applicable laws or regulations in the country where each of the following offices are located, at the City Offices of Bankers Trust Company in London, at the main office of Bankers Trust Company in Paris, at the office of Bankers Trust GmbH in Frankfurt, at the office of Banque Indosuez Belgique Brussels, (formerly Banque du Benelux S.A. Brussels), at the office of Banque Générale du Luxembourg S.A. in Luxembourg or at the office of Swiss Bank Corporation Basle.

The redeemed Bonds should be presented with all Coupons maturing after 15th March, 1989. Coupons maturing on 15th March, 1989 and prior thereto should be detached and surrendered for payment in the usual manner. From and after 15th March, 1989 interest on redeemed Bonds will cease to accrue.

International Standard Electric Corporation

By Bankers Trust Company, Trustee.

10th February, 1989

INTERNATIONAL COMPANIES AND FINANCE

Inability to meet demand holds back Telefónica rise

By **Peter Bruce** in Madrid

TELEFONICA, the widely-quoted Spanish telecommunications monopoly, yesterday reported a Pta61.52bn ($528m) net profit for last year, a 15.5 per cent increase on 1987 which is relatively modest and reflects the problems the company has been having meeting demand for telephone lines.

Mr Cándido Velázquez, who has just been appointed Telefónica chairman following the appointment of his predecessor, Mr Luis Solana, as head of Spanish television, said turnover had risen 13 per cent to Pta607.67bn.

Analysts expect Telefónica to maintain its Pta55 dividend – which has irritated many investors.

Earnings per share rose from Pta64.16 in 1987 to Pta69.13 and pre-tax-profit from Pta73.42bn to Pta85.21bn.

However, the company is having to invest heavily in new technology and lines to cope with its failure to accurately forecast the strong demand for lines.

Growth in business this year could be curtailed again by Telefónica's apparent inability to satisfy this demand and by a $750m investment it may make in Entel, the Argentine telephone monopoly.

Mr Velázquez said net demand for lines last year was 789,200 and that there had been no notable change in the waiting list, which stood at 570,000.

● Mr Miguel Angel del Valle-Inclán is likely to be named the new president of Tabacalera, the state-owned tobacco monopoly, according to reports in Madrid.

Already on the board of Tabacalera, he would replace Mr Velázquez, who has just moved to Telefonica.

Both men are supporters of the governing Socialist Party. Mr Valle-Inclán, 54, is a former chief of the Spanish customs service.

Privatbanken slices dividend

By **Hilary Barnes** in Copenhagen

PRIVATBANKEN, one of Denmark's big three commercial banks, is cutting its dividend from 15 to 10 per cent, despite an increase in pre-tax profits from DKr295m to DKr939m ($129m) for 1988. Net profits increased from DKr226m to DKr831m.

The dividend reduction, which cuts the payout from DKr211m to DKr139m, was made, said the bank, to bring the dividend into line with prevailing long-term interest rates. However, the bank also proposes to make a one-for-10 scrip issue.

The bank doubled its loan-loss provisions from DKr305m to DKr621m because of difficult economic conditions. Operating profits increased from DKr471m to DKr523m, giving a return on equity capital of 9.5 per cent and a return on total assets of 0.5 per cent.

There was a DKr712m gain on the value of the securities portfolio, reflecting a sharp rise in both bond and share prices in Copenhagen last year.

The balance sheet total increased over the year from DKr103bn to DKr110bn.

Operating profits in 1989 are expected to show a moderate improvement, but demand for credit will remain slow and the bank's marketing will be aimed at gaining market shares, said the bank.

Half-year sales at MAN show 14% gain

MAN, the West Germany engineering group, expects profits to rise in fiscal 1989 after sales in the first six months rose 14 per cent to DM7.02bn ($3.75bn), from DM6.17bn in the previous year, AP-DJ reports from Frankfurt.

Net profits rose by 24 per cent in fiscal 1988 to DM201.7m, from DM163.3m. The 1988 dividend was raised to DM6.50 from DM5.50.

Order inflow was up 20 per cent to DM8.25bn in the 1989 fiscal first half, ended December 31, compared with DM6.84bn.

Orders on hand totalled DM14.33bn at the end of the year, up 8 per cent from a year earlier.

Strong demand and price increases boost Hoboken

By **Our Financial Staff**

HOBOKEN, the Belgian refiner of non-ferrous metals and the largest copper producer in Europe, recorded a 15 per cent increase in net profit in fiscal 1988 on strong demand and a rise in price for its products.

Net profit rose to BFr837m ($21.4m) in the year ended September 30, from BFr730.66m the previous fiscal year, according to Hoboken's annual report. Hoboken is 75 per cent owned by Société Générale de Belgique, Belgium's largest holding company.

In spite of the improvement Hoboken is proposing to pay an unchanged net dividend on ordinary shares and to cut the dividend on AFV stock, a special class of shares which offer tax advantages.

As previously reported, Hoboken is proposing to pay a net dividend on regular shares of BFr260 per share, unchanged from the previous fiscal year, and to cut the net payout on AFV shares to BFr456 from BFr465.

Hoboken's operating profit jumped 34 per cent to BFr1.6bn in fiscal 1988 from BFr1.19bn the previous fiscal year. Revenue rose 26 per cent to BFr58.99bn from BFr46.82bn.

Production of copper, zinc and platinum reached record levels in fiscal 1988 as demand rose amid a recovery in the world's economy.

Banks link in Turkey to bolster tourism

By **Jim Bodgener** in Ankara

TURKEY'S state-owned Turizm Bankasi has been merged with the larger Turkish Development Bank as part of the Turkish Government's programme to rationalise and streamline its state banking sector. The merger will also bolster lending to the rapidly developing tourist industry.

There were fears that Turizm Bankasi might become over-extended – its credits increased to TL466bn ($329m) in the first half of 1988 compared with TL62bn for the whole of 1986.

Turkish Development Bank has a strong private sector base, being 49 per cent owned by the Treasury, with remaining equity divided between other banks, companies, and employee pension funds.

It will continue to lend funds to Turkey's booming tourist industry at the same rate as Turizm Bankasi, says its general manager, Mr Halit Kara. The merged bank was the industry's largest provider of venture capital.

Turkish Development Bank has a total capital of TL150bn compared with the former Turizm Bankasi's authorised capital of TL50bn of which about TL16bn was paid up.

This means that a much stronger institution will be funding a key economic sector, according to Mr Kara. It probably will not need to raise its capital as a result of the merger – particularly as it will be taking over Turizm Bankasi's assets of TL682bn.

Net profits in 1988 were about TL19bn, compared with Turism Bankasi's after-tax profits of about TL8bn - but its loans roughly matched Turizm Bankasi's.

The merger was eased late last week by the incorporation of Turban As, a holding company for the chain of hotels and resorts previously owned by Turizm Bankasi.

In the interests of concentrating on banking, the latter's shares in these were transferred to the Government's Mass Housing and Public Participation Administration (MHPPA) in a preparation for denationalisation.

Euroc records 76% surge in income after restructuring

By **Sara Webb** in Stockholm

EUROC, the Swedish building materials, engineering and trading group, yesterday reported a 76 per cent surge in profits for 1988 helped by its restructuring and strong demand in the building sector for its products.

Profits after financial items reached SKr820m ($129m) compared with SKr467m in 1987. Once adjusted for acquisitions and disposals, the increase in profit amounted to 40 per cent. The board will make a proposal on the size of the dividend when it meets next month.

Group turnover rose by 37 per cent from SKr6.78bn to SKr9.3bn, mainly due to acquisitions made in the last year including De Boo, a Dutch building material wholesaler. Turnover in 1989 is expected to increase to about SKr11bn, the group said.

Scancem, the cement company which is jointly owned by Euroc and Aker Norcem of Norway, also made strategic acquisitions, buying cement and concrete plants in the US and RTZ's cement business in the UK.

Euroc said demand for building materials was strong, and had not experienced the usual drop in the winter months due to the very mild weather in Sweden. This meant the final quarter result was much stronger than expected, Euroc said.

It added that the restructuring measures taken in the past two years had paid off in the 1988 results. Euroc realised capital gains of SKr1.68bn on the sale its shares in Opus, an investment company, and from selling off its Dynapac building equipment subsidiary which had made heavy losses in 1985 and 1986.

Hoechst disputes value of Celanese Canada shares

By **Robert Gibbens** in Montreal

TWO LARGE Canadian investment firms have told institutional customers that Celanese Canada's publicly-held minority shares are worth more than the C$35 per share being offered by Hoechst, the West German chemicals giant which is the majority owner.

But Hoechst officials say the offer is fair and reasonable and will not be increased. A month ago Hoechst, through a US subsidiary, offered C$35 a share for the minority holdings and Celanese Canada shareholders were due to decide by yesterday whether to accept. Two-thirds of the minority shares must be tendered if the offer is to succeed in its present form.

Burns Fry and Wood Gundy have said the Celanese Canada shares are worth anywhere from C$42 to C$47, because of continuing buoyant conditions in the petrochemical industry and recovery in synthetic fibre products, both special areas of Celanese Canada's business.

● Alcan Aluminium has raised its quarterly dividend to 42 US cents a common share from 30 cents – the fifth increase in two years.

The company has reported record earnings in each of the past two years because of surging aluminium prices and strong demand. Alcan said the latest increase reflects continuing good performance and a positive outlook for 1989.

The common shares rose to C$41.50 in Canada on Wednesday, and Alcan is splitting its stock three-for-two to ensure wide distribution.

● St Lawrence Cement, the eastern Canada cement and construction group controlled by Holderbank of Switzerland, had a strong final quarter in 1988, with strong domestic and US demand and firm prices.

Fourth-quarter earnings were C$30.4m ($25.6m), or 76 cents a share, up from C$20.9m, or 52 cents, a year earlier, on revenue of C$219m, against C$196m.

For all 1988, net profit was C$86.6m, or C$2.15 a share, up from C$71m, or C$1.77, in 1987. Revenues were C$732m against C$696m.

ALLIANCE + LEICESTER

Alliance & Leicester Building Society

£150,000,000

Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 8th May, 1989 has been fixed at 13.10% per annum. The interest accruing for such three month period will be £319.42 per £10,000 Bearer Note, and £3,194.25 per £100,000 Bearer Note, on 8th May, 1989 against presentation of Coupon No. 4.

Union Bank of Switzerland

8th February, 1989

London Branch
Agent Bank

U.S. $150,000,000

Northeast Savings, F.A.

Collateralized
Floating Rate Notes Due 1996

Interest Rate	9.7875% per annum
Interest Period	10th February 1989 10th August 1989
Interest Amount per U.S. $10,000 Note due 10th August 1989	U.S. $492.09

Credit Suisse First Boston Limited
Agent Bank

U.S. $300,000,000

Republic of Indonesia

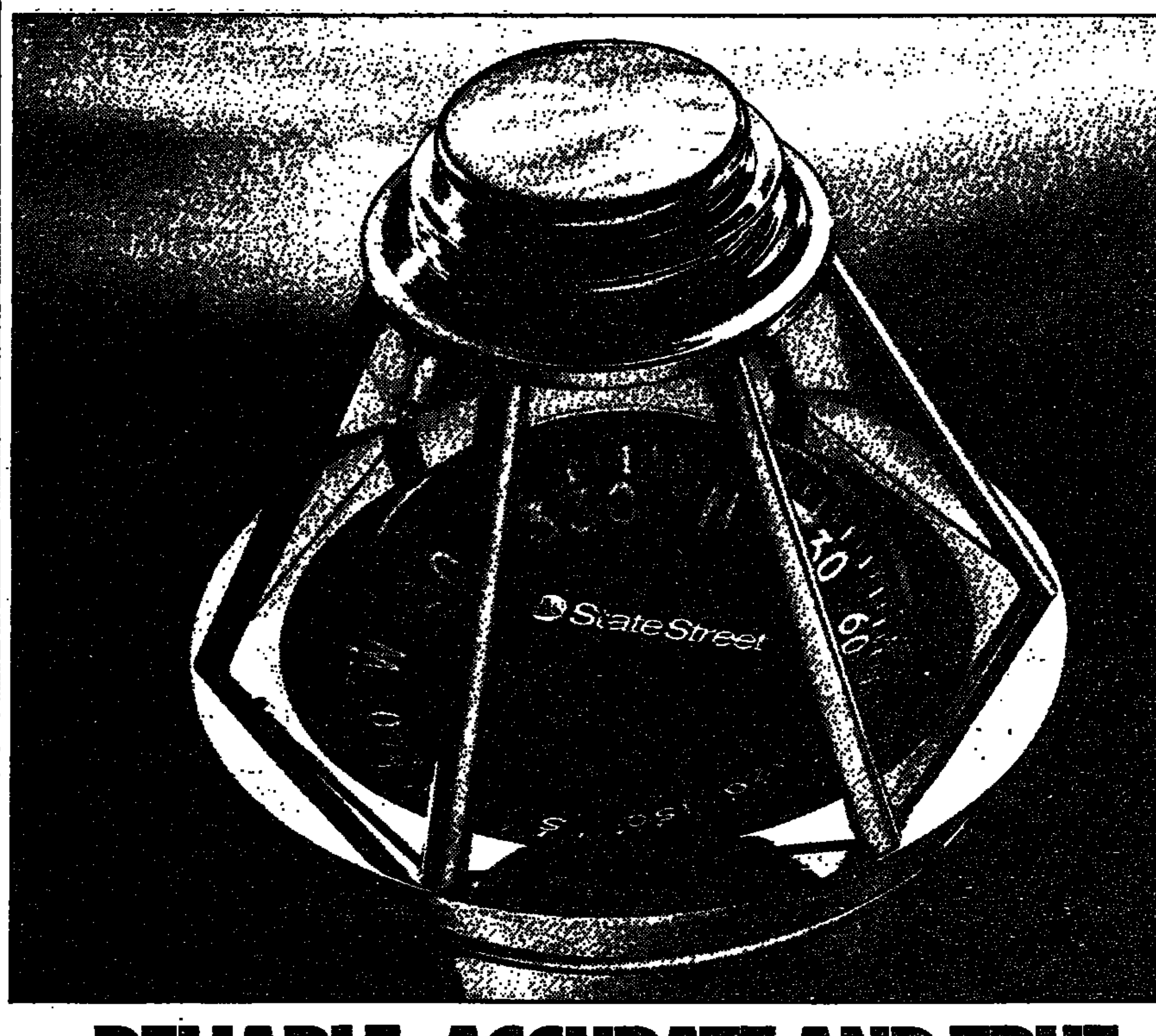
Floating Rate Notes due February 2001

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from February 10, 1989 to August 10, 1989 the Notes will carry an interest rate of 9⅞% per annum. The interest payable on the relevant interest payment date, August 10, 1989 will be U.S. $12,412.33 and U.S. $496.49 respectively for Notes in denominations of U.S. $250,000 and U.S. $10,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

CHASE

February 10, 1989



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INTERNATIONAL COMPANIES AND FINANCE

Record first-half result at Renison

By Chris Sherwell in Sydney

A SHARP increase in mineral sands earnings lifted interim after-tax profit of Renison Goldfields Consolidated, the 48 per cent-owned Australian arm of Consolidated Gold Fields of the UK, to a record A$35.3m (US$31.5m).

The result, covering the six months to December, was 68.1 per cent up on the same period of 1987. Revenues were 8 per cent higher at A$274.5m.

Directors forecast a full-year result "substantially ahead of last year's," and doubled the interim dividend to 10 cents a share. With last September's one-for-three bonus issue, this represents a near-trebling of the amount paid out, to A$16m.

Regarding last week's UK approval for the South African-controlled Minorco to bid for Consolidated Gold Fields, Renison said Minorco had committed itself unequivocally to selling its Renison interest to a group which was not an associate of Anglo American of South Africa, De Beers or the Oppenheimer family.

"Therefore if Minorco were to be successful in any renewed takeover offer for Consolidated Gold Fields, the Renison group's businesses should not be adversely affected by South African control," it stated.

The issue is of concern because the Papua New Guinea Government has indicated that a Minorco-controlled Renison would have to abandon its one-third stake in the Porgera gold mine development, one of Renison's brightest hopes for the future. Approval for the project is expected soon.

According to a breakdown of yesterday's figures, Renison's mineral sands operations contributed A$64m to pre-tax profits, an increase of 67.5 per cent on the previous year's A$38.2m. Prices for zircon strengthened, and the company said it was modifying plans in order to maximise production.

Stronger copper prices helped the Mt Lyell mine contribute A$11.5m, up 25 per cent from A$9.2m, while the newly acquired Koba tin business in Indonesia contributed A$4.7m. The company said tin prices were stronger, but they remained well-short of pre-1985 levels.

The group's gold operations were hit by a declining world bullion price and the strengthening Australian dollar.

The contribution from Pine Creek was slashed by two thirds, while the NGG gold business incurred a loss of A$1.75m loss.

Exploration registered a loss of A$14m, and another A$5m loss came from corporate activities and financing.

Indonesian airline ends run of losses

By John Murray Brown in Jakarta

GARUDA INDONESIA, the state-owned airline, reported a profit for 1988, taking the company out of the red for the first time in six years.

Mr Mochamad Soeparno, Garuda's president, said the profit turnaround resulted from improved sales, lower costs and a major capital restructuring.

Garuda's net profit, which has still to be formally audited, was Rs127bn ($72.4m), which compares with a Rs146bn loss in 1987. Operating revenues were up from Rs1,490bn to Rs1,760bn, with 78 per cent of the earnings coming from international routes.

Garuda has 73 aircraft including nine Airbus A300s and six Boeing 747s. It plans to buy a further 12 long-haul carriers at an estimated cost of $2bn, to position itself for the expected growth in Asia Pacific traffic.

Garuda and IPTN, the Indonesian aerospace company, are in talks with McDonnell Douglas, Boeing and the European Airbus consortium. According to local reports, McDonnell Douglas will sign a sales contract for six MD-11s by the end of February.

Any sale, however, is expected to carry a considerable offset component. Mr Jusuf Habibie, the head of IPTN, has in the past talked of as much as 50 per cent of the value sourced locally.

Mr Soeparno said yesterday that, with the improvement in the trading position, the company could finance the deal, in spite of its current outstanding debts of $380m. Most of this relates to the purchase of Airbuses in the early 1980s.

NZ forestry group to raise $185m in Europe

By Dai Hayward in Wellington

ONE OF New Zealand's leading forestry groups, Carter Holt Harvey, is going to the European capital markets to raise NZ$300m (US$184.7m). The funds will be used to finance last year's purchase of the profitable Caxton toilet and tissue paper group and to restructure and re-align NZ$100m worth of existing convertible securities and options issued in the Swiss market.

Mr Richard Carter, the executive chairman, said the existing Swiss securities would be redeemed and reissued at a conversion rate that reflected the current market value of Carter Holt shares. They were first issued two years ago at the height of the share market boom and were unrealistic at current prices.

The second stage involves issuing NZ$200m of convertible securities in Switzerland and also probably on the West German market through a Euro-pean bank.

Buyers would have the right to convert their securities into Carter Holt shares after five years. The convertible note could mean the issue of another 125m shares. This would boost the company's capital of 450m shares.

The shareholders have been asked to approve the move at an extraordinary meeting later this month. Carter Holt shares have risen rapidly over the past six months. Last September, they were worth NZ$1.65. At the end of the year they were NZ$1.93 and this week were trading at NZ$2.44.

The rise has been spurred in part by overseas investors. There has been considerable interest in Carter Holt's forestry investments in Chile.

Air India records $9.33m net income at nine-month stage

By R.C. Murthy in Bombay

AIR INDIA, the country's flag carrier, has made a net profit of Rs140.6m ($9.33m) in the nine months to December 1988, against a net loss of Rs273.4m in April to December 1987.

Mr Rajan Jetley, the managing director, says the profitability has been maintained in January and the airline will make a substantial profit in the year to March 1989.

The airline incurred its biggest-ever net loss of Rs434.1m last year, following a sharp drop in traffic on the Gulf routes, which had contributed most to Air India's profits.

The dramatic turnround this year has come about because of a 16 per cent rise in revenues and a saving in expenditure, says Mr Jetley.

Total revenues between April and December last year jumped by 15.8 per cent to Rs8.73bn, although operating expenditure rose by some 10 per cent to Rs8.37bn. An improved traffic mix, with the emphasis on first and business class, lifted the yield by 14 per cent.

Revenue per tonne kilometre at present is Rs7.28, the highest ever, a level which has been achieved by "almost complete abolition" of fare discounting, Mr Jetley says.

Air India has introduced more non-stop flights and night flights to Europe, for the convenience of business travellers and passengers making onward connections.

The acquisition of two new Boeing 747 Combis has given room for flexibility in operations and for new point-to-point services eliminating stop-overs.

The emphasis now is on augmenting both short term and long term capacity.

McDonnell Douglas and Airbus Industrie are to make presentations to Air India on the aircraft they are offering (MD11s and A-340s) for its long-haul routes with thin traffic.

"Both aircraft are good and the selection would be based entirely on price," says Mr Jetley.

Air India plans to acquire some 15 medium-sized jets, and another 10 Boeing 747-400s to replace its 10 ageing Jumbos which are to be phased out over the next decade.

The airline is to buy two Boeing 747s immediately to replace its two oldest aircraft, which are to be converted into freighters.

The air line at present has 10 Jumbos, three Airbus A-300s and six Airbus A-310s. The Indian Government has opened talks with the Soviet Union for purchasing Russian aircraft but no progress has been made so far.

Wooltru lifts profits 24% but growth may slacken

By Jim Jones in Cape Town

WOOLTRU, the diversified South African clothing retail chain, benefited from unexpectedly high consumer spending in the six months to December 31, but is uncertain about prospects for the rest of the year.

First-half turnover rose 24 per cent to R1.07bn ($438m) from R860m a year earlier and the interim pre-tax profit was R88.6m against R64.5m.

The directors forecast greater profits this year, but warn of a lower growth rate even though sales in the first six weeks of calendar 1989 were 21 per cent higher than a year ago.

According to the directors, the retail chain and Makro, the wholly owned cash-and-carry wholesale subsidiary, improved their productivity.

Makro plans to expand into new market areas. The trading outlook is uncertain, with conflicting views on the economy's potential, the directors add.

Retail sales appear to be responding more slowly than expected to recent official measures designed to restrict consumer spending.

First-half earnings rose to 133.9 cents a share from 94.6 cents and the interim dividend has been lifted to 47 cents from 35 cents.

Fairfax sells 50% of NZ magazine to Liberty

JOHN FAIRFAX, the Australian media group, has sold 50 per cent of its New Zealand monthly magazine, Personal Investor, to Liberty Publishing, AP-DJ reports from Wellington.

Financial details of the transaction have not been disclosed.

Fairfax will retain 50 per cent control of the magazine through a joint venture with Liberty, to be called New Zealand Financial Press.

Liberty is a privately-owned New Zealand publishing group which also produces the Property Press paper. The two groups already jointly own Fourth Estate Group, publisher of National Business Review, New Zealand's daily financial newspaper.

INTERNATIONAL CAPITAL MARKETS

Nationwide Anglia makes £50m index-linked issue

By Norma Cohen

NATIONWIDE Anglia, the UK's third largest building society, yesterday issued a £50m index-linked bond due 2024 in the domestic market, designed to raise low-cost funds for a rental housing scheme it operates. S.G. Warburg is underwriter.

The bonds are similar to the UK Treasury's 2½ per cent index-linked bonds which rise and fall in principal value with the rate of inflation. Interest is paid at 2½ per cent of the calculated principal value of the bonds semi-annually.

When inflation is higher, both the semi-annual interest payments and the principal value of the bonds rise.

Nationwide Anglia's bonds were priced at 99.078 per cent to yield 1 per cent over the gross rate of return on the 2½ per cent Treasury stock due 2024. Gross yield on the new stock is 3.3436 per cent.

The bonds are 25 per cent payable at launch with the remainder to be paid in six months. The UK Treasury's failure to issue new stock since it began running budget surpluses has enabled private-sector borrowers to tap this specialised pool of investors.

The issue is the third index-linked offering from Nationwide Anglia, which launched similar deals in July 1986 and April 1987. But it remains the only UK institution to do so publicly, partly because issuance of such securities requires the maintenance of liabilities that match them.

Proceeds from the issue will be used to make loans to buyers of rental properties under Nationwide Anglia's Glasgow-based Quality Street joint venture.

Mr Brian Phillips, deputy chief executive, said: "Rental property programmes are very hard to get off the ground unless there is low-cost funding." He added the building society's previous two issues had been used to provide funds for local housing associations of tenants who had purchased their council estates.

The index-linked bonds allow lenders to charge low nominal rates of interest on home mortgages. However, the increase in principal at maturity can be matched by the increased value of tenants' homes.

● Allied-Lyons yesterday issued a £150m domestic debenture due 2019 which is secured by a first floating charge on the assets and the business of the company. Baring Securities was lead manager.

The coupon was set at 9¾ per cent and priced at 98.477 per cent to yield 100 basis points over the UK Treasury's 9 per cent stock due 2008.

Proceeds will be used for general corporate purposes, including the refinancing of short- and medium-term debt.

Austria eases exchange control

By Judy Dempsey in Vienna

THE AUSTRIAN National Bank seems set on heading down the path of deregulation and liberalisation following recently introduced measures aimed at lifting several exchange controls.

But while the new legislation will assist investors and enterprises, the securities and capital markets will have to wait slightly longer for more liberal winds to waft from Otto-Wagner-Platz, headquarters of the National Bank.

The liberalisation is aimed at bringing the Austrian banking system more into line with other West European countries. The Government intends to make a formal application to join the European Community later this year.

The measures, which came into force on February 1, mean that Austrian residents will be able to invest abroad without the prior consent of the central bank. Residents will be free to buy insurance policies from foreign insurers for lump-sum premiums and invest in property outside the country.

In addition, Austrians will be able to acquire shares and interests in foreign companies.

On the issue of borrowing from abroad, the Austrian bureaucratic jungle, frequently a complaint of locals and foreigners alike, will be thinned out. Austrian residents, for example, will be free to borrow foreign currency from non-Austrian banks and will only have to notify the National Bank when a loan exceeds three years.

The limit on money transfers out of the country have been increased from Sch50,000 to Sch100,000 ($7,593).

Although Austrians trying to tap the foreign bond market and vice versa still require permission under current legislation, Viennese bankers say the central bank is planning more liberalisation which should phase out the requirement of depositing with an Austrian bank any foreign securities purchased by residents.

It is also expected that the restrictions imposed on residents buying gold bullion and foreign gold coins will be lifted.

Some bankers are impatient, rather than critical, that the new measures have not gone far enough. But as one securities trader commented: "When you are dealing with a system based on wartime planning, it takes time to change it."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.F.C.E. 7 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.F.C.E. 9¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bel. Tel. Fin. 9⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac 10⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C.C.C.E. 9⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C.N.C.A 9⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 9 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 8⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 7⅜ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dai-Ichi Kan 9⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.E.C. 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.E.C. 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.E.C. 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.I.B. 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.I.B. 9⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec.De France 9 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fins.Exp.Cd. 8¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fins.Exp.Cd. 9⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Credit 8 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen.Elec.Cap.Corp. 9 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Credit 10⅛ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen.Mtrs.Corp. 9⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Halifax BS 9½ 93	200	†98¼	98¾	−0¼	−0¼	9.91
IBM Credit Corp. 8⅞ 91	250	98	98½	−0¼	−0¼	9.60
Italy 9 90	1000	†99	99½	−0⅛	−0⅛	9.45
Italy 9½ 95	1000	99¼	99¾	−0⅜	−0⅛	9.59
L.T.C.B of Japan 8 91	100	95¼	96	−0¼	−0¼	10.01
L.T.C.B. of Japan 9¼ 92	200	98¼	98¾	−0⅛	0	9.72
Metropolis Tokyo 9½ 93	200	99⅞	100⅜	−0¼	−0¼	9.45
Morgan Guaranty Tst. 7 90	150	†96¾	97¼	−0⅛	+0⅛	10.02
Nippon Tel.&Tel. 9⅜ 98	250	98⅞	99⅜	−0⅜	−0⅛	9.51
Norway 8¾ 93	500	96¾	97¼	−0⅛	−0⅛	9.67
Portugal 8¼ 91	300	†96	96½	−0⅛	−0¼	10.29
Prudential Crp. 8¼ 94	125	96⅜	96¾	−0¼	−0⅛	9.58
Qantas Airways 10⅜ 95	140	102⅞	103⅜	−0¼	−0¼	9.67
Saskatchewan 10⅜ 92	100	102¼	102⅝	−0⅜	−0¼	9.80
State Bk S Aust 9¼ 93	100	98⅛	98⅝	−0⅛	−0⅛	9.76
Sumitomo Bank 9⅝ 92	150	99⅜	99⅞	−0¼	−0⅜	9.72
Swed Exp Cred 7¼ 91	100	†93⅛	93⅞	+0⅛	−0⅜	9.91
Sweden 7 91	250	93⅜	93¾	−0¼	−0⅛	9.87
Sweden 8¾ 96	200	96⅛	96⅝	−0⅛	0	9.46
Sweden 8½ 92	200	†96⅛	96¾	−0⅛	−0⅝	9.68
Toyota 9½ 91	200	100	100⅜	0	+0⅛	9.43
Victorian Rep 11⅝ 92	150	104½	105	−0⅛	−0⅛	9.80
World Bank 7 92	300	†92⅞	93⅜	−0⅛	−0¼	9.78
World Bank 9 97	300	97	97½	−0⅛	−0⅛	9.49
World Bank 9¼ 98	300	98⅜	98⅞	−0¼	0	9.46
Yasuda Trust Fin 8½ 93	100	†94⅞	95⅜	−0¼	−0⅛	9.90

Average price change... On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	99⅞	100⅜	+0½	+0⅜	5.94
Avis Fin.SVS 5⅞ 92	100	97¾	98¼	0	+1	6.61
Bank of Tokyo 5⅜ 93	100	100⅜	100⅞	+0⅜	+0⅝	5.57
Central BK. Turkey 7 92	200	102	102½	0	0	6.27
Commerzbank o/s. 5⅜ 93	300	97⅞	98⅜	−0⅛	−0⅞	5.92
Degussa Int. 6⅛ 97	200	98⅞	99⅜	−0¾	−1¼	6.31
E.I.B 5½ 98	150	92⅞	93⅜	−0¼	−0¼	6.49
E.I.B. 6¼ 99	600	97⅝	98⅛	+0⅛	+0⅛	6.55
E.I.B. 6⅛ 96	300	98⅛	98⅝	0	−0¼	6.38
E.I.B. 6⅛ 97	400	97⅝	98¼	−0⅛	−0⅞	6.46
E.I.B. 6⅞ 95	300	102⅛	102⅝	0	−0⅛	6.40
Euro.Coal& Steel 5⅞ 97	175	96	96⅝	0	−0⅜	6.49
Eurofima 6¼ 96	100	100⅞	101¼	+0⅛	+0⅜	6.09
Elec De France 5⅜ 97	300	95⅞	96½	0	−0⅝	6.34
Forsmark Krtg. 5⅛ 93	200	96⅜	97	+0⅛	−1	6.05
I.A.D.B. 6 97	200	96⅝	97⅛	0	−0⅜	6.51
Japan Dev. Bk. 5⅜ 95	300	96⅞	97⅜	−0¼	−0⅝	5.96
Japan Finance 5¾ 97	100	95¼	95⅞	+0⅛	+0⅛	6.46
Ireland 6½ 97	300	99⅜	99⅞	−0⅛	+0¼	6.55
Malaysia 6¼ 94	150	99⅝	100¼	0	+0⅛	6.27
Nat. West BK. PLC 6 98	300	96⅛	96⅞	0	−0¼	6.51
N.H.L. Finance 6¼ 95	200	†98¾	99¼	0	−0¼	6.43
Nippon Telg.&Tel. 6 95	400	98½	99¼	+0¼	−0⅜	6.16
Oesters. Kontbk. 5 93	300	96¼	97	−0⅜	−0⅛	5.98
Portugal 5⅞ 92	150	97⅝	98⅜	0	−1½	6.39
Portugal 6⅝ 95	150	100⅞	101½	+0⅛	0	6.47
Privatbanken 5¼ 93	150	95⅞	96⅜	−0¼	0	6.32
Royal Insurance 5½ 92	300	97½	98	−0¼	−1⅛	6.30
Soc Cent Nuclear 7¼ 95	150	103¼	103⅞	−0½	−0¾	6.55
Turkey 6½ 95	500	97	97⅜	−0⅜	−0⅛	7.02
Union Bk.Finland 5½ 94	200	96⅝	97	0	−0⅛	6.28
WestLb. Finance 5 93	200	†95⅞	96⅜	0	−1⅜	6.10
World BK. 6⅛ 97	600	98⅞	99⅜	+0⅛	−0⅜	6.44

Average price change... On day 0 on week −0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†97	98	0	−0¼	5.41
Asfinag 5 03	100	†93½	94½	+0¼	−1½	5.61
B.F.C.E. 4½ 98	200	†94½	95	0	−0½	5.22
B.M.W.Fin.Neth. 5 13	150	†93	94	−0¼	+1½	5.49
Britannia B/S. 4¼ 94	100	†94½	95¼	−0⅜	+1⅞	5.37
CIR. Int. W/W 3 93	125	†95¼	96	+0⅜	−1½	4.09
Credit Lyonnais 4¾ 00	100	†93¼	94	+0⅛	+0⅝	5.52
E.I.B 4⅝ 98	150	†94	94¾	−0⅜	+0¾	5.40
Fletcher Chall. 4⅞ 98	150	†93	94	−0½	−0⅝	5.81
Kobe City 4⅝ 98	150	†94	94½	0	+0¼	5.42
Leeds Perm. B/S. 4⅛ 93	200	†95	95¾	+0¼	+2⅞	5.46
Malaysia 5⅛ 98	100	†92½	93½	−0¾	−1½	6.25
Maxwell Comm.Crp. 5 95	150	†97½	98½	+0¼	+0¼	5.37
Nat. Bk. Hungary 5½ 94	75	†95½	96¼	−0¼	−0⅜	6.36
Nationwide Ang.B/S. 4 93	200	†94½	95	−0⅛	0	5.38
Nippon Telg.&Tel.4¼ 95	200	†96¼	96½	+0⅜	+1⅞	4.91
Oestars.Ktbk. 5 03	75	†94½	97	0	+1⅜	5.43
Prov. NewFoundland 5 03	150	†97	97½	0	+0¾	5.27
Thailand 4⅞ 95	200	†91	91¼	+1	+1	6.34
World Bank 5 03	150	†98	98½	+0½	+2½	5.17

Average price change... On day +0 on week +0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 4⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Den. De Finance 5⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland 5⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 5⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 4⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 5¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10⅛ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alg. Bk. Ned. 5⅞ 92 FL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alg. Bk. Ned. 5⅜ 93 FL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro Bank 6⅛ 92 FL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aust. Ind. Dev. 12⅞ 93AS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria 7⅞ 94 ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barc. Bk. 10⅝ 97 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays Aus. 13⅛ 91 AS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9⅞ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas 10¼ 98 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comm. Bk. Aust. 13⅜ 93AS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coop. Ctr. Rabo 6⅞ 93 FL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coop. Ctr. Rabo 6 92 FL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 7⅜ 92 ECU	200	99⅛	99⅜	0	+0⅛	7.39
Dixons 11 95 £	90	†98⅝	99⅛	0	+0⅞	11.43
Deut. Bk. Aust. 12¼ 95 AS	70	92¾	93¼	−0¼	−3½	14.54
Eastman Kodak 13 90 AS	100	95	95½	−0⅛	+0½	16.55
E.I.B. 7 96 LFr	100	*97¼	98¼	0	0	7.33
Elec.France 10¼ 95 C$	125	†98	98½	−0¼	−0½	10.62
Euratom 7⅜ 97 ECU	145	93¾	94¼	0	−0⅝	8.41
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†96¾	97¼	−0¼	−0⅞	10.83
Ford Cr. Can. 10⅜ 93 C$	100	†99¼	99¾	−0¼	−0½	10.91
Ford Mtr. Cred. 7½ 91ECU	100	98⅝	99⅛	0	−0¼	7.95
Gillette Can. 9⅝ 93 £	70	92⅝	93¼	−0⅛	+0¾	11.69
G.M.A.C. 9¾ 93 C$	150	†95⅝	96⅛	−0¼	−0½	10.99
G.M.A.C Aus. Fin. 14 90 A$	50	96	96½	+0¼	−0¼	16.94
Halifax BS 10⅜ 97 £	100	98⅛	98⅝	−0⅛	+0¼	10.68
Imp Chem Inds 10 03 £	100	97⅛	97½	0	+1¼	10.37
Inv. Industry Int. 10 93 £	60	96½	97⅛	−0¼	−0½	10.99
Lloyds Bank 10¼ 98 £	150	96⅛	96⅝	−0¼	+0¼	10.89
Lloyds Bank 11⅜ 98 £	100	100½	101	0	+0⅜	11.23
Montreal Tst. 10¼ 93 C$	100	†98⅝	99⅛	−0¼	−0½	11.04
Nat. Aus. Bank 14 91 A$	50	—	—	—	—	—
Nationwide BS 10⅛ 93 £	75	96⅜	97	−0⅜	−0⅛	11.16
Ned. Midd. Bank 6 92 FL	150	97¼	97¾	−0⅛	−1¼	6.90
New Zealand 9½ 93 £	100	95½	96	−0⅛	+0¼	10.78
New Zealand 7¾ 93 ECU	200	99	99½	0	−0⅛	7.97
Philips Gloeil. 6 93 FL	300	97⅛	97⅝	0	−0⅝	6.68
Prudential Fin. 9⅞ 07 £	150	†92¼	92¾	+0¾	+1½	10.29
Royal Bk. Scot. 10⅝ 98 £	125	98⅛	98⅝	−0⅛	+0⅜	10.95
Saskatchewan 9⅞ 91 C$	150	†98¼	98¾	−0⅛	−0⅜	10.54
Saskatchewan 10¼ 93	200	98	98⅜	−0¼	−0⅜	10.75
S.D.R. 7¼ 95 ECU	90	97⅛	97⅝	0	−0⅛	8.31
Sth. Aus. Gvt. Fin. 0 94 AS	100	51	51½	0	+0½	14.60
Union Bk. Switz. 7½ 93	150	†98⅝	99⅛	0	−0⅛	7.78
World Bank 5¾ 92 FL	100	97⅜	97⅞	+0⅛	0	6.60
World Bank 13⅜ 92 AS	100	†96½	97	−0½	−1⅜	14.55
Zentrpk. 13¼ 93 AS	75	92⅝	93⅛	−0⅜	−3⅝	15.45

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.68	99.73	18/04	13.21
Belgium 91 US$	0	100.28	100.38	21/02	9
Britannia 5 93 £	0⅛	99.95	100.00	10/04	13
Chase Manhattan Crp. 91 US$	0⅛	99.55	99.80	22/02	8.94
Citicorp 98 US$	0¼	98.18	98.43	28/02	9.62
Credit Foncier 98 US$	.063	99.62	99.72	20/04	8.44
EEC 3 92 DM	0	100.92	101.03	22/02	5.63
Halifax BS 94 £	.1	99.90	99.95	6/05	13.07
Invt. in Industry 94 £	0	99.96	100.04	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	13/04	13.37
Midland Bank 01 £	.1	97.67	98.21	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.94	99.99	30/12	12.06
New Zealand 5 97 £	.07	100.12	100.22	20/02	12.16
State Bk. Nsw. 98 US$	.188	100.51	100.61	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.95	100.00	13/04	13.37
Woolwich 5 95 £	0⅛	99.49	99.54	21/02	12.37

Average price change... On day −0.01 on week −0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02 US$	8/87	62.	113½	114½	+0⅛	10.21
Amer. Brands 7⅛ 02 US$	9/87	56.7	116⅞	117⅞	+0⅛	3.37
Ashikaga Bank 2⅛ 02 US$	4/87	967.	156⅝	157⅝	+0½	4.97
Asics 5 92 DM	12/83	472.7	239½	240⅞	−0⅛	5.89
CBS. Inc. 5 02 US$	4/87	200.	95	96	+0⅜	10.40
Comm. Credit 5½ 02 US$	4/87	66.75	66¼	67¼	0	59.13
Eng. China Clay 6½ 03 £	9/88	4.8	108⅛	109	+1¼	1.24
Fujitsu 3 99 US$	5/84	1106.	240⅝	241⅝	+4¼	0.69
Land Secs. 6¼ 02 £	6/87	6.72	99½	100½	+1½	11.02
MCA Inc 5½ 02 US$	9/87	69.62	86½	87½	+0⅜	23.62
Minolta Camera 2¼ 94DM	2/86	1004.	106¼	107⅜	−0⅜	9.88
Mitsubishi Bk. 1¼ 02 US$	9/87	3157.	131¾	133¼	0	3.30
Mitsui Trust 2⅜ 01 US$	10/86	1903.	145¼	146½	+5⅜	7.10
Nishi Nipp. Bk. 2⅞ 03 US$	4/88	804.	128¾	129⅝	+0¼	9.39
Onoron Tateisi 2⅜ 02 US$	4/87	1310.	209	210	+1⅜	−0.16
Ranks Hovis 4¾ 03 £	1/88	3.5	115¾	116⅝	−0⅜	1.47
Redland 7¼ 02 £	1/87	5.4	100¼	101⅛	+0⅜	8.38
Saatchi&Stchi. 6¾ 03 £	†10/89	4.41	103½	104½	−0⅜	9.20
Texas Inst. 2¾ 02 US$	9/87	82.87	75¼	76¼	+0⅛	45.55
W.R. Grace 6¾ 02 US$	9/87	42.12	84⅝	85⅝	+0⅜	26.35

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Directors at NZ finance group call in receiver

By Dai Hayward in Wellington

ANOTHER New Zealand investment banking company, Guthrie Financial Corporation, has been placed in receivership at the directors' request.

The company started in 1979 as a bullion dealer and expanded into a full financial services company. It has a futures trading arm, Guthrie Brokers, a share broking company, Guthrie Equities, a foreign exchange operation, and is a unit trust broker and corporate lender. It is one of the top three dealers by volume on the local futures market.

Guthrie is a public company wholly owned by the Guthrie family. For the 10 months ended January 1989 it made a net loss of NZ$157,886 (US$97,500). Paid-up capital was NZ$2m and shareholders' funds stood at NZ$1.8m.

A prospectus issued by Guthrie last June forecast an after-tax profit of NZ$1.08m for the year to March 1990 and NZ$2.7m for 1990-91.

The New Zealand Futures Exchange said it was unable to transfer the open positions of clients of Guthrie Brokers following the appointment of receivers.

On Wednesday the exchange ordered Guthrie Brokers to stop trading after speculation over the firm's financial position, and said it would transfer clients' positions to another member.

But it said yesterday that the appointment of receivers meant the transfer was not effected.

James Capel lifts stake in French broker

By Our Financial Staff

JAMES CAPEL, the London stockbroker which is part of the Hongkong and Shanghai Banking group, has raised its stake in Dufour Lacarrière Pouget, the French brokerage firm, from 30 per cent to 76 per cent.

Capel said provisions were in place to raise its interest in DLP to 100 per cent by early 1990. The French firm's name will be changed to DLP-James Capel but it will continue to be managed from Paris.

Capel did not disclose how much it had paid for the additional shares.

Mr Charles Smedley, Capel's director for Europe, said the additional investment in DLP reflected the growth of Paris as an international financial centre and Capel's commitment to European markets.

He added, however, that DLP would remain primarily a French company serving French clients.

Capel purchased its original interest in September 1987.

Banks urged to combat money laundering

THE BELGIAN Banking Commission has asked banks to follow principles drawn up by the Group of Ten to combat "laundering" of money from criminal activities, Reuter reports.

A banking commission spokesman said the authority had written to banking associations asking them to circulate the statement of principles to their members and ensure that they followed them.

The principles, issued early last month, call on banks to determine the true identity of their customers, not to aid transactions which they suspect are connected with money-laundering and to co-operate with law enforcement authorities as far as permitted by local banking secrecy regulations.

INTERNATIONAL CAPITAL MARKETS

GOVERNMENT BONDS

Treasuries fall heavily in the wake of disappointing auction

By Janet Bush in New York and Katharine Campbell in London

TREASURY bonds tumbled yesterday morning in advance of the 30-year bond auction, after the results of Wednesday's 10-year sale disappointed high expectations.

At midsession, bond prices were quoted as much as ½ point lower.

The Treasury's long bond performed slightly better than other long maturities. It stood ¾ point lower for a yield of 8.90 per cent.

After inverting earlier this week, the yield curve has turned up slightly, with the bond equivalent yield on three-month Treasury bills quoted at 8.79 per cent.

Total subscriptions at the 10-year were comparable with previous auctions but expectations had been raised by hefty foreign participation in Tuesday's three-year sale.

There was also considerable caution as the market waited for the long bond auction yesterday and President George Bush's presentation of his first budget. There is expected to be a political storm in Congress about the President's proposal to cut capital gains tax and considerable scepticism about his budget arithmetic.

INVERTED or very flat yield curves have become a feature of the landscape in most of the key bond markets around the world.

The outlook for short-term interest rates in the US and hence elsewhere suggests this pattern will persist, at least for a while. As a result, institutions have been focusing strategies around successfully capturing that configuration.

When investors are paid as much, or more, to lend money for two years as they would receive locking it away for 30, it indicates the bond market takes a more sanguine view of inflation than the monetary authorities.

Short rates are high because central banks keep them so, but at the long end the market's inflationary fears recede, and this brings yields down.

An inverted yield curve makes bond positions expensive to fund – involving a so-called negative cost of carry. But the break-even analysis is finely balanced because the interest rate structure is forecasting lower short rates around the corner, so the brave hang on.

A recent study by Paribas outlines the type of strategies suitable in the current environment. One is the "barbell" switch, which entails moving out of medium-term maturities and into a combination of short- and long-term bonds. The trick is to keep the duration risk constant, that is the same effective yield curve exposure. The investor locks in high short-term yields, but if the curve inverts further the long stock will outperform the medium-term paper he held previously.

Indeed, the curve is the most inverted it has been for 18 years. Many economists think it may flatten in the second half of the year when signs of slower economic growth leave room for rate cuts.

The French curve inverted last week, when three-year rates rose above 10-year bonds, marking a strong contrast with a year ago when it was strongly positive.

The stability of French inflation has helped the long end, unlike in Germany where inflation is creeping up. At present, two-year BTANs yield around 8.96 per cent, and the new 30-year bond auctioned for the first time in January yields about 8.95 per cent.

But Germany too, some observers believe, may be in for an inverted yield curve. Call money is currently around 6.00 per cent, with 10-year yields at 6.73 per cent. A half-point rise in the emergency funding Lombard rate would mean the curve was very flat.

In Japan the last inverted yield curve was early in 1987 when funds poured out of US Treasuries into Japanese government bonds on currency considerations.

Recently the authorities have been remarkably unflappable in terms of resisting pressure to move rates up, and the discount rate has held stable since October. But there is a limit to how long they will hold out.

IN THE markets yesterday, a stronger than expected German trade surplus for 1988 – at DM128bn – knocked a pfennig off the dollar and helped both the French and German markets along.

Some selling of Dutch guilder bonds was prompted by speculation over the future spread relationship between German and Dutch bonds now that the European Commission is looking to impose a uniform withholding tax. The spread has been volatile since Germany imposed a 10 per cent withholding tax.

The UK bond market was mainly interested in the release of the Bank of England quarterly bulletin yesterday evening. The benchmark closed ¼ point down on Wednesday at 118¾.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	109-22	-1/32	10.21	10.36	10.74
	9.750	1/98	100-16	-2/32	9.66	9.77	10.21
	9.000	10/08	100-24	-7/32	8.92	9.02	9.26
US TREASURY *	8.875	11/98	98-27	-13/32	9.05	8.93	9.21
	9.000	11/18	101-01	-22/32	8.90	8.82	9.04
JAPAN No 111	4.800	6/98	98.2323	+0.440	4.69	4.90	4.74
No 2	5.700	3/07	108.7207	+0.732	4.80	4.79	4.74
GERMANY	6.375	11/98	97.3000	-0.050	6.78	6.76	6.67
FRANCE BTAN	8.000	1/94	96.2631	+0.038	8.95	8.86	8.49
OAT	9.500	5/98	104.0500	-0.050	8.83	8.74	8.53
CANADA *	10.250	12/98	101.0000	-0.825	10.08	10.04	10.33
NETHERLANDS	6.7500	10/98	99.0750	-	6.86	6.91	6.78
AUSTRALIA	12.000	7/98	80.7472	+0.179	13.68	13.45	12.86

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

CBOT reprieve for dual trading

By Deborah Hargreaves in Chicago

IN A REVIEW of its trading procedures, the Chicago Board of Trade has decided to tighten its surveillance on the floor of the futures exchange but not to ban the controversial practice of dual trading, whereby brokers trade for their own accounts as well as filling customer orders.

The CBOT's examination of trading practices has been prompted by the massive FBI fraud probe into Chicago's markets, where undercover agents targeted multi-million dollar trading abuses.

Although the practice of dual trading in the futures industry has received harsh criticism in recent years and looked likely to become the first casualty of the FBI investigation, CBOT directors have held back from banning the 100-year-old tradition.

The decision was greeted with relief by traders who rely on trading for themselves when customer orders dry up. However, in a policy reversal that has mystified some traders, the CBOT has said it would look at electronic trading after-hours.

The exchange which, until news of the FBI probe broke, was a vehement opponent of screen trading, was due to present its ideas at a meeting late yesterday.

The CBOT has previously lambasted the Globex electronic trading system under development by the rival Chicago Mercantile Exchange, which is why news of its own move towards a screen comes as such a surprise.

The CBOT said Globex would lack liquidity and be open to manipulation and trading abuse.

In moving towards screen trading, however, the CBOT is not likely to swallow its pride and apply to join Globex, in spite of the wishes of some of its customers.

Many of the exchange's members believe the CBOT will apply to join a rival electronic system, such as that being developed by the London International Financial Futures Exchange or the system pioneered by Telerate, the US information group.

INTERNATIONAL BONDS

EIB £200m issue makes sluggish start following setback on Wall Street

By Andrew Freeman

AGAINST THE difficult background of a auction of 10-year US Treasury bills, the European Investment Bank (EIB) launched a $200m 10-year issue via Chase Investment Bank.

The bonds, which are non-callable, carry a 9½ per cent coupon and were priced at 101⅛ to yield around 34 basis points over the when-issued benchmark Treasury.

This compared with launch spreads of 38 basis points for the recent Electricité de France and Japan Exim Bank issues.

Chase won the mandate after a bidding competition and started selling the paper late yesterday morning. Early demand was said to have been brisk, with $50m placed in the first 10 minutes. However, the issue ran into trouble when the US Treasury market opened and government bond prices were marked down by around ¼ point.

Having opened bid less full fees of 1⅞ per cent, the EIB bonds slipped back to as low as less 2.17 bid, with one trader reporting small buying interest at lower levels from investors attracted by the yield.

The lead manager said there was good European demand from retail accounts and institutions. However, there was a widespread feeling in the market that the 10-year sector was looking saturated.

One trader commented: "Although the EIB is a good credit, this issue was too tight to clear existing paper." Another remarked: "The pricing was tight but correct, but the market background just wasn't stable."

There was much speculation about swap activity underlying the deal.

The lead manager confirmed that $150 of the $200m was swapped into fixed-rate Ecu, with the rest of the issue remaining unswapped.

Chase worked closely on the deal with Prudential Bache, and Pru-Bache is thought to have done an interest rate swap into floating-rate US dollars while Chase did an off-market currency swap.

The purpose of the currency swap was to achieve fixed-rate Ecu exposure as an alternative to the straight Ecu bond issue which EIB is known to have wanted to do for some time.

At current rates, the borrower is likely to have achieved a useful funding rate. In particular, the interest rate swap should have achieved floating-$-Libor minus 30 basis points. The lead manager denied talk that part of the issue had been swapped into D-Mark.

Elsewhere, Eurobond houses took note of an unexpected SKr500m issue by the Nordic Investment Bank, the second such deal approved by the Swedish central bank ahead of this year's scheduled foreign exchange liberalisation. The previous deal was by the World Bank in October last year.

The five-year bonds carry a 10 per cent coupon and were priced at 101⅛ by the joint lead managers, Svenska International and Svenska Handelsbanken. The deal's reception was said to have been very favourable, particularly among German institutional investors, and the bonds were trading at less 1.70 bid, inside fees of 1⅞ per cent.

Wednesday's issue in Switzerland by Kommuninvest I Orebro Laen, the Swedish finance company, was trading yesterday at issue price plus ¼ bid. The SFr75m seven-year deal was launched with a 5½ per cent coupon, and was said to have been generously priced by the lead manager, Crédit Suisse.

J.P. Morgan was the lead manager of an Ecu75m deal for Interfinance Credit National which carried a generous 8½ per cent coupon and a current yield of 8.53 per cent. Despite the sticky state of the Ecu market, there was interest in the coupon. The bonds were quoted at less 1.93 bid, outside fees of 1⅞ per cent.

A spokesman for the borrower confirmed that the issue proceeds had been swapped into floating-rate Ecu to achieve a funding rate equivalent to 25 basis points below Libor.

The issue was designed to refinance three existing lines of Ecu credit at an estimated saving of between 45 and 50 basis points.

Two A$-denominated Eurobond issues had a slow reception.

Hambros Bank was the lead manager for a A$100m five-year deal for the Kingdom of Sweden, while NatWest Capital Markets launched a A$75m one-year bond for Unilever Capital Corp which carried a 15⅞ per cent coupon and was aimed at Continental demand. Both issues were trading on fees, with traders questioning the timing of the deals.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
European Investment Bank♦	200	9½	101⅛	1999	2/1⅞	Chase Investment Bank
Banque Paribas♦	100	10⅛	102	1996	2/1⅞	Banque Paribas Cap.Mkts
Burlington Resources(d)§	82	(6⅞-7)	100	2004	2½/1¾	Morgan Stanley Int.
AUSTRALIAN DOLLARS						
Sweden, Kingdom of♦	100	15	102	1994	1⅞/1⅛	Hambros Bank
Unilever Capital (US)♦	75	15⅞	101⅛	1990	1/⅝	NatWest Capital Markets
ECUs						
Interfinance Cr. National♦	75	8½	101⅛	1994	1⅞/1⅛	J.P. Morgan Secs.
STERLING						
Issue increased:						
Commerzbank O'seas(a)♦	75	10¾	101⅝	1994	1⅞/1¼	Samuel Montagu & Co.
SWEDISH KRONER						
Nordic Investment Bank♦	500	10	101⅛	1994	1⅞/1⅛	Svenska International
SWISS FRANCS						
Carter Holt Harvey Fin.§	(b)	(5½)	(100)	1994	n/a	S.G. Warburg Soditic
Final terms fixed on:						
Take-O Co.(c)♦‡♦	150	½	100	1994	n/a	SBC
YEN						
Christiania Bank(e)♦	10bn	4⅞	101⅝	1993	1⅝/1⅛	Daiwa Europe

§Convertible. ‡With equity warrants. ♦Final terms. a) Issue increased from £60m. b) Issue amount depends on success of exchange offers. Exchange offers: Cash settlement at issue price. Warrant exchange - you get 1 new bond SFrs5,000 for 4 warrants plus SFrs4,500. Convertible exchange - 2 new bonds for 1 old convertible and paying SFrs4,928.80 (difference of 71.20 represents accrued interest on old bond between Sept.1988 to March 1989). c) Put option fixed at 104⅞ to yield 2.198%. d) Convertible into shares of Anadarko Petroleum. e) Linked to10-year US Treasury and Yen/$ exchange rate.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday February 9 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Feb 8: Index No.	Tue Feb 7: Index No.	Mon Feb 6: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (208)	923.57	-0.4	10.14	3.86	12.08	1.09	927.13	916.21	903.55	719.62
2	Building Materials (28)	1150.71	-0.1	11.07	3.96	11.11	0.26	1152.18	1136.15	1126.00	954.41
3	Contracting, Construction (39)	1696.29	-0.2	11.68	3.60	11.16	0.00	1700.29	1686.18	1677.48	1452.05
4	Electricals (10)	2686.60	+0.5	8.06	4.20	14.97	0.00	2673.16	2654.70	2628.61	2018.17
5	Electronics (30)	2071.86	-0.7	9.05	3.16	14.30	7.19	2086.34	2063.78	2028.43	1455.52
6	Mechanical Engineering (55)	492.40	-0.4	9.68	3.82	12.58	0.12	494.56	490.25	481.59	374.68
8	Metals and Metal Forming (7)	522.39	-0.2	14.69	5.64	7.70	0.00	523.42	521.19	514.29	428.62
9	Motors (17)	315.73	-0.6	10.36	4.19	11.20	0.00	317.73	312.62	305.92	270.95
10	Other Industrial Materials (22)	1563.68	-0.5	8.82	4.03	13.45	3.46	1571.74	1542.88	1521.18	1198.22
21	CONSUMER GROUP (186)	1194.92	-0.7	8.71	3.52	14.39	0.87	1203.17	1193.18	1172.38	1008.67
22	Brewers and Distillers (22)	1292.10	-0.4	9.86	3.44	12.67	0.00	1296.99	1288.91	1270.92	968.84
25	Food Manufacturing (21)	1061.79	-0.7	8.63	3.62	14.56	1.57	1069.86	1062.93	1050.70	822.19
26	Food Retailing (15)	2075.63	-1.2	8.74	3.38	15.06	4.84	2101.11	2089.67	2073.60	1979.93
27	Health and Household (13)	2160.03	-1.3	6.21	2.51	18.46	0.20	2189.17	2158.10	2106.84	1784.63
29	Leisure (33)	1587.52	+0.6	7.64	3.29	16.56	1.30	1578.66	1565.32	1537.65	1176.11
31	Packaging & Paper (17)	603.80	-0.6	9.24	3.79	13.46	0.53	607.36	601.37	594.47	493.82
32	Publishing & Printing (18)	3865.14	-1.3	8.23	4.07	15.23	3.38	3916.24	3874.14	3784.85	3344.85
34	Stores (33)	804.78	-0.2	10.57	4.29	12.45	0.32	806.72	800.87	780.92	795.52
35	Textiles (14)	522.76	-1.9	13.32	5.45	8.99	0.00	533.02	531.99	525.09	554.91
40	OTHER GROUPS (93)	1056.49	-0.7	10.01	4.09	12.20	0.12	1063.77	1051.75	1037.64	864.47
41	Agencies (18)	1223.88	-0.8	8.58	2.60	14.69	0.00	1234.25	1202.05	1209.48	1066.46
42	Chemicals (22)	1226.80	-0.7	10.44	4.30	11.53	0.23	1235.01	1209.69	1194.92	1025.78
43	Conglomerates (12)	1488.59	+0.2	10.39	4.88	11.11	0.00	1485.35	1458.13	1436.29	1156.69
45	Shipping and Transport (12)	2314.81	-0.6	8.59	3.60	15.22	0.00	2329.29	2295.07	2258.28	1803.35
47	Telephone Networks (2)	1104.60	-1.1	10.63	4.25	12.23	0.00	1117.23	1117.79	1109.81	949.23
48	Miscellaneous (27)	1464.74	-0.9	9.67	3.72	11.76	0.62	1477.60	1456.73	1428.43	1144.60
49	INDUSTRIAL GROUP (487)	1104.72	-0.6	9.46	3.77	13.05	0.76	1111.40	1100.18	1083.31	984.96
51	Oil & Gas (13)	1929.96	-0.7	9.55	5.75	13.40	0.00	1944.86	1937.14	1926.18	1764.12
59	500 SHARE INDEX (500)	1175.23	-0.6	9.47	4.03	13.10	0.70	1182.53	1171.62	1155.17	977.88
61	FINANCIAL GROUP (126)	767.99	-1.1	-	4.65	-	0.28	776.56	761.68	754.72	639.97
62	Banks (8)	774.33	-1.8	18.50	5.65	7.25	0.00	788.44	760.26	751.60	641.14
65	Insurance (Life) (8)	1065.52	-2.0	-	5.06	-	0.00	1086.92	1079.41	1064.64	691.57
66	Insurance (Composite) (7)	608.17	-0.6	-	5.14	-	0.00	611.64	608.28	600.46	494.37
67	Insurance (Brokers) (7)	1070.36	-0.1	8.18	6.07	15.28	0.00	1071.22	1053.34	1040.12	886.10
68	Merchant Banks (11)	352.45	-0.3	-	4.25	-	0.00	353.50	350.39	349.51	337.34
69	Property (53)	1330.38	-0.7	5.45	2.53	23.38	0.69	1339.17	1318.40	1314.33	1011.19
70	Other Financial (32)	390.17	-0.3	8.94	5.17	13.96	1.12	391.49	386.67	383.92	375.53
71	Investment Trusts (76)	1083.66	-0.2	-	2.82	-	0.67	1085.53	1071.31	1063.31	838.75
81	Mining Finance (2)	678.48	+0.2	9.81	3.88	12.37	0.00	676.82	671.05	665.76	404.81
91	Overseas Traders (8)	1437.19	+1.2	8.70	4.65	13.33	15.65	1419.54	1374.33	1358.36	1088.99
99	ALL-SHARE INDEX (712)	1075.88	-0.6	-	4.08	-	0.72	1082.64	1070.79	1056.93	887.33

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 8	Feb 7	Feb 6	Feb 3	Feb 2	Year ago
FT-SE 100 SHARE INDEX‡	2079.1	-17.1	2097.0	2076.5	2096.2	2072.8	2044.3	2069.9	2043.4	1729.8

FIXED INTEREST

	PRICE INDICES	Thu Feb 9	Day's change %	Wed Feb 8	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	119.71	-0.01	119.72	-	1.26
2	5-15 years	137.69	-0.07	137.79	-	1.52
3	Over 15 years	152.17	-0.09	152.31	-	0.25
4	Irredeemables	175.47	+0.23	175.06	-	0.00
5	All stocks	134.97	-0.05	135.04	-	1.29
	Index-Linked					
6	5 years	132.00	-0.11	132.15	-	0.00
7	Over 5 years	131.35	-0.05	131.42	-	0.58
8	All stocks	131.27	-0.05	131.34	-	0.53
9	Debentures & Loans	118.33	-0.01	118.35	-	0.62
10	Preference	89.86	+0.04	89.82	-	0.17

	AVERAGE GROSS REDEMPTION YIELDS		Thu Feb 9	Wed Feb 8	Year ago (approx.)
	British Government				
1	Low	5 years	8.88	8.90	9.06
2	Coupons	15 years	8.77	8.78	9.41
3		25 years	8.74	8.74	9.31
4	Medium	5 years	9.98	9.96	9.63
5	Coupons	15 years	9.23	9.21	9.63
6		25 years	8.89	8.89	9.46
7	High	5 years	10.14	10.13	9.72
8	Coupons	15 years	9.43	9.41	9.78
9		25 years	9.05	9.04	9.49
10	Irredeemables	†	8.75	8.76	9.40
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.51	3.46	2.51
12	Inflation rate 5%	Over 5 yrs.	3.55	3.55	3.87
13	Inflation rate 10%	5 yrs.	2.69	2.64	1.61
14	Inflation rate 10%	Over 5 yrs.	3.39	3.39	3.72
15	Debs &	5 years	11.63	11.60	10.89
16	Loans	15 years	11.20	11.20	10.86
17		25 years	10.80	10.80	10.86
18	Preference	†	10.04	10.04	10.50

‡Opening index 2082.7; 10 am 2085.0; 11 am 2092.3; Noon 2093.3; 1 pm 2094.9; 2 pm 2088.2; 3 pm 2081.3; 4 pm 2082.2; 4.05 pm 2081.6 (a) 11.24am (b) 9.17am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	72	26
Corporations, Dominion and Foreign Bonds	0	10	41
Industrials	447	458	683
Financial and Properties	164	184	325
Oils	25	34	41
Plantations	3	0	9
Mines	60	43	83
Others	42	98	100
Totals	752	899	1,308

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	108p	103p	‡Apollo Metals 8p(Net) Cm Rd Pf 10p	108p	
100p	F.P.	-	111p	106p	Bardon Grp 5p(Net) Cv Cm Rd Pf 10p	107p	
100p	F.P.	-	109p	97p	Beauford Grp 7p(Net) Cm Cv Rd Pf 10p	109p	+2
100p	F.P.	9/1	120p	100p	‡Cityvision 8.5pc Cv Cm. Rd. Pf.	119p	-1
§100p	Nil	24/2	7pm	7pm	Friendly Hotels 7pc Cv Cm Rd Pf	7pm	
100	F.P.	29/3	93⅛	93⅛	Gt. Portland Ests. New 9½pc Deb 2016	93⅛	
100p	F.P.	-	102p	87p	Iceland Frozen Foods Cv Cm Rd Pf 20p	99p	-1
§100p	F.P.	24/1	100½p	93p	Jessups 7.3p(Net) Cv Cm Rd Pf 50p	98p	
100p	F.P.	-	80p	54p	Kelt Energy 6pc(Net) Cv Cm Rd Pf £1	80p	+2
100p	F.P.	-	102p	86p	Leisure Invs 7pc Cm Cv Rd Pf(1988) £1	102p	+1
§100p	Nil	-	7pm	4pm	Lowe (R.H.) New 8¾pc (Net) Cv Pf 10p	7pm	+3
-	F.P.	-	100½	100	Nationwide Anglia 12⅞pc 29.1.90	100½	+⅛
§100p	F.P.	-	100p	88p	Rockware Grp 7¼pc Cv Cm Rd 2nd Pf	98p	-1
†100p	F.P.	-	100p	80p	‡Thorpac 8p Cv Rd Ptg Pf '01-'05 50p	100p	

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
†	F.P.	-	413	365	CLF Yeoman	408	-5	R024½	4.6	2.5	13.3
§45	F.P.	-	58	45	‡Cassidy Brothers 10p	53		b3.08	2.0	7.7	8.4
245	F.P.	25/1	329	243	Compass Group 5p	319		R7.2	2.7	3.1	16.4
§100	F.P.	-	116	108	Europa Minerals 2p	115	+1	81.0	-	1.2	-
§125	F.P.	-	138	131	‡Farepak 20p	136		R4.75	2.8	4.7	10.5
§47	F.P.	-	49	47	Malaya Group 10p	48		R2.0	3.7	5.6	6.6
†	F.P.	-	266	230	NFC Var. Vtg. 5p	263	+5	u7.0	1.8	3.7	19.2
§20	F.P.	-	31	20	*Poddington 5p	29		-	-	-	-
§117	F.P.	-	120	110	‡Sandell Group 10p	120		L4.4	1.8	4.9	11.8
§140	F.P.	30/1	180	141	Secure Trust 1p	180	+2	W7.09	2.3	5.3	11.0
§140	F.P.	10/3	148	143	‡Sheriff Holdings 5p	146	-2	L5.25	2.4	4.8	11.7
♦	F.P.	-	£19⅞	£16½	Sumitomo Bank Y50	£17½		Q15%	7.5	0.02	70.2
62	F.P.	-	72	70	‡Torex Hire 10p	71	+1	u2.25	1.9	4.2	13.1
§185	F.P.	-	203	195	Wood (Graham)	203	+1	R7.7	2.6	5.1	7.6

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
330	Nil	17/3	165pm	67pm	ERF Holdings	158pm	-2
130	Nil	-	133pm	101pm	NFC Var. Vtg. 5p	132pm	+6
30	Nil	-	3½pm	3pm	‡Stanco Exhibition Grp. 5p	3½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ▼ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Issued in connection with reorganisation merger or takeover. ‖ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Feb 6
- Last Dealings Feb 17
- Last Declarations May 18
- For settlement May 30

For rate indications see end of London Share Service

Calls in Dixons, Stormgard, Brassway, Reed, Magnet, Norfolk Cap, Eurotunnel Wrnts, INOCO, Marks & Spencer, Dares Est, Storehouse, Gestetner, Beacon Grp, N Kaigs, GEC, Ashley Grp, Quotient, Local London, NFC, Plessey. Puts: Church (Charles). P/C Eurotunnel Wrnts

LONDON TRADED OPTIONS

BRITISH PETROLEUM made a late run on the London traded options market yesterday, but was still pipped to the post in the turnover stakes by Trusthouse Forte, which goes ex-dividend to the tune of 6.64p on Monday.

The closing of the Stock Exchange account today, leaving yesterday the last day of the week to exercise options, made for heavy arbitrage trading, with the existence of warrants on stock playing a part. Early reports suggested that there had been substantial exercising of contracts in Trusthouse Forte.

Overall turnover came to 44,037 contracts, lying in 32,573 calls and 11,464 puts. Trading in the FT-SE 100 index reached a modest level by recent standards, at 6,291 contracts, consisting of 4,190 calls and 2,101 puts. The index itself lost 17.1 points on the day to 2,079.1, with futures dealings in it on the London International Financial Futures Exchange offering a modest upward pull.

Dealings in Trusthouse Forte totalled 5,439, comprised in 5,174 calls and only 265 puts, with the March 260 and 280 calls attracting turnover of 1,220 contracts and 1,519, respectively, in net terms representing closing of interest.

British Petroleum found turnover of 2,616 call contracts and 2,233 put, in a total of 4,839. The underlying share price was unmoved on balance, at 275p, and there was little net change in open interest on either the call or the put side. Some shifting of positions was seen on each side, however, with 860 contracts in the April 240 calls and 874 in the April 260s leading to a cut in the number of exerciseable contracts on the first hand, and an opening on the second. There were 1,110 contracts traded in the April 260 puts, giving some fall in open interest, but other series, including the April 240s more than compensated for this. Other active options stocks included British Gas, TSB and Thorn, as well as British Steel and Dixons.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*476)	460	34	46	60	8	17	20
	500	12	26	38	28	35	40
Brit. Airways (*200)	160	45	48	50	1½	3	4
	180	27	30	36	3	7	10
	200	13	18	24	9	17	18
Brit. Com (*239)	220	28	34	42	4	8	9
	240	14	21	28	10	16	18
	260	6½	12	19	23	30	32
Boots (*268)	240	36	44	48	2½	7	11
	260	19	28	35	8	13	16
	280	10	18	25	18	24	26
B.P. (*275)	260	16½	26	29	6½	8	10
	280	5½	15	18½	17	19	20

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Ultramar (*305)	294	28	-	-	15	-	-
	300	-	40	50	-	25	29
	330	10	29	34	35	40	44
Woolworth (*287)	260	39	45	53	5	8	12
	280	23	31	39	10	15	20
	300	12	20	28	20	25	28
Option		Apr	Aug	Nov	Apr	Aug	Nov
GEC (*227)	200	34	44	50	2	7	9
	220	17	30	36	5	13	16
	240	8	19	-	17	24	-
Option		Apr	Jun	Sep	Apr	Jun	Sep
R. Royce (*161)	160	11½	14	20	7½	10	11
	180	3	6½	10	21	22	23

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Blue Circle (*496)	420	86	90	102	2	6	10
	460	48	56	70	4	13	18
	500	18	32	44	20	30	40
British Gas (*183)	160	26	32	35	¼	1½	3
	180	9½	16½	20	3½	6	8
	200	2¼	6	9	17	17	19
Dixons (*161)	160	11	20	25	8	12	14
	180	5	11½	17	23	24	26
Glaxo (*1283)	1200	110	155	198	12	29	38
	1250	74	123	165	25	45	55
	1300	47	92	137	47	65	77
Hawker Sidd. (*642)	550	105	116	131	1	8	15
	600	61	75	96	10	20	27

UK COMPANY NEWS

John Elliott again rules out full bid for the UK company and reaffirms S&N interest

MB launches new attack on Elders' tactics

By Maggie Urry in London and Gordon Cramb in Melbourne

MB GROUP last night launched a stinging attack on the tactics of Elders Investments, a 5.7 per cent shareholder in the British company which is currently merging Metalbox Packaging, its packaging activities, with Carnaud, a French packaging group.

Mr Brian Smith, MB chairman, has written to shareholders saying that Elders had failed to come up with any proposals which could be put to shareholders during three meetings between the two sides.

Countering suggestions from Elders IXL, the Australian brewing-based multinational, that it would lead a consortium to make a cash bid for Metalbox Packaging of not less than £780m, Mr Smith said the company was not for sale.

Yesterday in Melbourne however, Mr John Elliott, chairman of Elders IXL, quashed renewed suggestions that it might move to a full bid for MB Group. He said at a briefing: "We are not trying to build a core business in packaging."

However Elders has said it did not believe the merger of Metalbox Packaging with Carnaud was in the best interests of MB shareholders and last week it forced the adjournment of a meeting of MB warrantholders held to consider changes to the warrants necessary as a result of the merger.

Last Tuesday MB removed the requirement for warrantholders to approve the changes to the warrants. (Elders has 25.1 per cent of the warrants which if exercised would represent 1.2 per cent of MB shares.) This gave rise to further speculation that the change would free Mr Elliott from his earlier indication that he would not launch a hostile offer for MB itself.

But he reaffirmed this yesterday, saying Elders did not intend to lead an outright bid. "All we wanted to see was a better deal . . . I don't think it is our objective to be antagonistic."

Mr Elliott indicated that the prime Elders' objective in the UK at present was to secure the takeover of Scottish & Newcastle Breweries, where its £1.6bn contested bid is under scrutiny by the Monopolies and Mergers Commission.

Mr Smith said the MB board would only consider an offer for Metalbox Packaging if it was "extraordinarily generous". He said Elders had not understood the merger plan with Carnaud which had been cleared by the European Commission and the UK tax authorities. He emphasised that MB would retain joint control of CMB Packaging, the merged company, through its 25.5 per cent stake.

"Without joint control, we would never have proposed the merger to you [the shareholders]," he stressed. He urged them to vote in favour of the merger at the special meeting on February 24.

Turning to the situation with S&N, Elders said that if the bid were blocked, it would look for other alternatives, which in the beer business would depend in part on a concurrent inquiry which the MMC is conducting. This examines the tie between brewers and the products supplied to the public houses they own. The outcome of both inquiries is expected in the next few weeks.

John Elliott: All we wanted to see was a better deal . . . I don't think it is our objective to be antagonistic

A report by stockbroker ANZ McCaughan Securities has suggested that, in order to stem an erosion of export earnings by the strengthening Australian dollar, Elders might attempt to make a big acquisition before its June year-end.

With the conclusion being drawn that a bid for all or part of MB was thus made more likely, MB shares were down 3p in London yesterday to 291p.

Next Tuesday Elders is due to report its results for the six months to December. These are expected to show a sharp slowing of growth from the same period of 1987, when net profits rose 83 per cent to A$272.1m (£138.28m).

Mr Terry Povey, of ANZ McCaughan, said in London yesterday that he forecast an interim outcome of A$315m, up 16 per cent.

P&S Newspapers rises to £4.6m and upgrades forecast

By Raymond Snoddy

PORTSMOUTH & Sunderland Newspapers continued its trend of profit growth with the announcement yesterday of a 33 per cent increase in pre-tax profits from £3.5m to £4.64m for the 39 weeks to December 31.

Turnover increased to £52.9m compared with £46.2m and earnings per share to 23.7p, compared with 17.6p, a rise of 35 per cent.

The company is now expected to produce pre-tax profits for the full year in the £5.5m to £5.7m range.

In the past few weeks P&S shares have risen dramatically following the very public purchase of a little more than 5 per cent of the group's shares by Mr David Sullivan, publisher of the Sunday Sport. The stake was then re-sold at a profit within days to Lord Rothermere's Associated Newspapers group.

Yesterday's results and the claim by Mr Sullivan that the provincial newspaper group was undervalued is likely to encourage P&S to look more energetically for acquisitions.

Sir Richard Storey, chairman, who controls 18 per cent of the company, said yesterday: "We are looking for acquisitions. We have been for some time."

He warned however that the company would not pay "silly multiples" for publishing purchases. Another possible area of growth is the provision of additional services for the readers of the company's regional newspapers.

The company attributed the continued growth to improved editorial content, continued development of free newspapers and the expansion of contract printing which culminated in a three year contract to print 250,000 copies a day of The Independent at Portsmouth compared with the present 120,000.

The shares closed at 340p, down 3p on the day after being 335p at one time.

Ward Holdings up 12% to 'satisfactory' £14.44m

By Clare Pearson

WARD HOLDINGS, the Kentish housebuilding and property group with plans to build a new village near Ashford, saw its pre-tax profits rise by 12 per cent to £14.44m in the year to end-October 1988.

Mr Dennis Ward, chairman, said the outcome, scored on turnover of £59.74m (£48.33m), was satisfactory given that it was not company practice to chase volume at the expense of margins.

The year saw intense planning permission difficulties in Kent. However, Mr Ward said during the period the company had been able to acquire a substantial number of options and conditional contracts on land, and so had accrued benefits for the future. It has now extended its housebuilding activity to Essex.

The outcome of the application, announced last May, to build Bishops Forstal, a new settlement near Ashford is not expected to emerge until next year. The matter is expected to reach ministerial level. Ward wants to build accommodation and social amenities for 13,500 people.

On its property investment side, Ward has recently entered into an agreement with supermarket group Tesco to lease a new 260,000 sq ft distribution headquarters at Snodland in Kent, which is currently being constructed. The property portfolio was valued at £40.42m last October.

Property provided £779,000 (£980,000) to group profits, after charging the full interest cost in respect of a £6m development loan. House construction, reflecting last year's price surge, gave £13m (£11.2m).

Industrial interests, comprising plant hire, plastic door and window manufacture, and merchanting, put in £685,000 (£670,000), partly reflecting the set-up costs of a new conservatory manufacturing unit. There are hopes these will benefit from the commercial development opportunities arising from the improved communications network in Kent.

The final dividend is set at 2.1p, making 2.6p (2.4p) for the year. Earnings per share came out at 18.1p (15.9p).

UK COMPANY NEWS

Sketchley bites bullet and sells Equipu photocopier side for £16m

By Philip Coggan

SKETCHLEY, the dry cleaning, vending and workwear rental group, has sold Equipu, the photocopier rental business, for £16m, just two years after acquiring the company as part of a strategic move into office services. The purchaser is Eurocopy, the photocopying and facsimile rental group.

Mr Malcolm Glenn, Sketchley chairman, said that the company had planned to build up a national network of photocopying rental companies but found that prices sought for acquisitions in the sector were too demanding. It was thus better, he said, to sell the company and use the capital in other business areas.

He did not see the divestiture as a strategic reverse. "We saw an area where we felt there was an opportunity" he said. "It proved not to be economic, so we sold it instead of sitting on it quietly for a few years and hoping it would go away". Sketchley had last September indicated that it was seeking a buyer for Equipu.

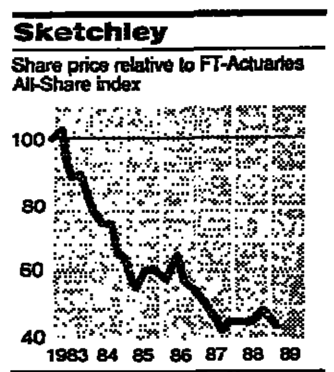
Mr Glenn joined Sketchley in 1985 and quickly sold off the group's US businesses and moved it into new business areas such as vending via the purchase of Breakmate. The purchase of Equipu was seen as a further diversification into a service-related business.

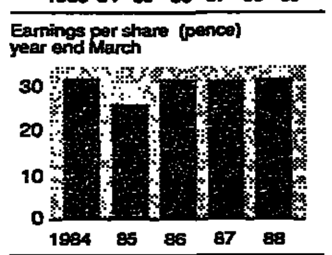
However, the restructuring has been accompanied by a distinctly sluggish earnings per share performance over the last few years. Mr Glenn said that the interim figures, which revealed a 15 per cent earnings per share increase, had been encouraging.

The £16m purchase price is lower than the £20.7m originally paid for Equipu but Sketchley is retaining Mellordata, a computer peripheral distributor, bought by Equipu just before its takeover.

Mellordata made pre-tax profits of just £231,000 in the year before acquisition but made higher profits than the original Equipu business last year.

Mellordata will form the basis for a new business grouping within Sketchley.





The purchase of Equipu will give Eurocopy, which joined the main market last summer, nationwide coverage in photocopier supply. Equipu is strong in the south-west of England and Scotland; Eurocopy is strong in London and the north of England.

Eurocopy made pre-tax profits of £3.4m on turnover of £11.5m in 1988; Equipu made just £1.7m on turnover of £23.8m. Mr Cyril Gay, Eurocopy chairman, said that he expected to improve margins at Equipu, partly through cost reductions and partly though enhanced buying power.

The consideration for Equipu includes £1.8m for the repayment of inter-company debt and the acquisition is being financed by a vendor placing of 9.03m shares at 100p.

The shares are subject to clawback by existing shareholders on a 3-for-13 basis but Mr Gay, his family and another director who own 75 per cent of the Eurocopy equity, have undertaken not to to take up the vast majority of their entitlements under the clawback offer.

Eurocopy shares closed 5p up at 113p; Sketchley's were unchanged at 463p.

Mrs Fields still talking to venture partners

By Clare Pearson

MR RANDALL FIELDS of Mrs Fields, the US cookie manufacturer and retailer, yesterday said plans to open outlets in Continental Europe through a joint venture were still intact despite this week's abandonment of talks with Midial, the French food group.

He said USM-quoted Mrs Fields, the shares of which were the worst performing on that market last year, was resuming discussions about a similar venture with a number of other parties and was confident that arrangements would be in place within the next six months.

The arrangement envisaged with Midial would have given the French company 99 per cent ownership of the venture, while Mrs Fields would have gained $5m for a product licence payment as a prelude to building up a chain of outlets.

The plan, announced in December, also involved the sale of Mrs Fields' loss-making UK business to the new joint venture. Mr Fields said yesterday this aspect had not marked a withdrawal from the UK but had been included in response to 1992-related European Community regulations. His understanding was that these would mean a company granting a licence would no longer be able to offer geographical protection to a licensee within the Community.

Negotiations with Midial are thought to have broken down over Midial's requirement that Mrs Fields should assume management responsibility for its US stores.

The company, the market value of which tumbled by some 75 per cent in the course of last year, sustained a $15m loss in the six months to end-June, against a $7m profit. The figure was struck after exceptional items of $15.4m for the closure of 120 stores.

Mrs Fields is hoping its new strategy of setting up "bakery cafes", as opposed to the old cookie bars, will revive its fortunes. The plan with Midial had involved the opening of such patisserie-style outlets.

Buoyant Bryant up 38% but warns of lower second half

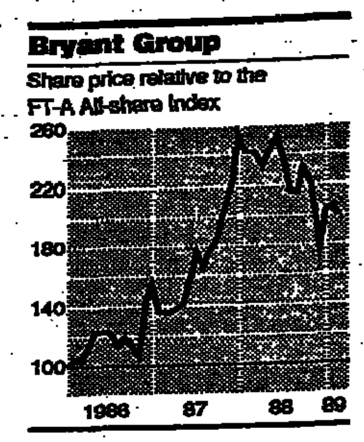
By Clare Pearson

LAST YEAR'S buoyant housing market was reflected in a 38 per cent rise in pre-tax profits to £31.1m for Bryant Group for the six months to November 30. However the Midlands-based housebuilding and construction company warned that current more difficult market conditions would mean a lower second-half result.

Nevertheless, Mr Chris Bryant, chairman, said he had every confidence in a satisfactory outcome for the full year. He said the company's quality products, wide geographical spread and strong land bank at low historical cost put it in a good position to deal with the problems associated with higher UK interest rates.

Operating profit for the first-half stood at £31.1m (£22.1m) and margins are expected to be similar in the full-year. Earnings per share rose to 9.5p (7.3p) and the interim dividend is increased to 1.4p (1.2p).

Mr Bryant said expected completions for the full year to amount to about 2,000, slightly down on the 2,150 in 1987/8. During the first half 1,150 houses were sold. Prices, which spiralled to an average of £108,000 in the first half from £75,000 in the comparable period, had on average not moved since last September, the company said.



Like other housebuilders, Bryant is currently offering incentives such as reimbursements of fees, worth up to around £3,500, to encourage home buyers.

Bryant's directly-owned land bank now stands at 8,100 plots, up from 7,600 at the end of May 1988, and this is expected to be broadly maintained at the year-end. The company, which stepped up purchases in the first half, was continuing to buy selectively.

More land-buying activity was reflected in a rise in gearing to 30 per cent against 12 per cent at the last year-end. Interest charges rose to £1.7m (£100,000).

Bryant's other activities, property and construction, made a maintained, "adequate" profit contribution. To turnover of £170.9m (£124.3m), they pitched in £14.8m (£12.2m) and £58.6m (£33.5m) respectively. The company aims to re-emphasise its warehousing activities.

These figures did not contain a contribution from the Pavilions retail development in Birmingham, from which there is still some £5.5m in profits to come.

● COMMENT

It is not easy to get excited about shares in a company like Bryant. In the opening stages of a housing downturn, they are poised well above many of their peers on a p/e multiple of about 7.5 on the precarious basis of a near 30 per cent stake which – it would appear – is now all that is left to remind English China Clays that it once, a full two years ago, wanted to take Bryant over. Imagine if those shares were placed. Nevertheless, Bryant boasts a land bank stretching out till 1994, it is not highly geared, and it has some hefty unutilised profits up its sleeve. Assuming nothing from the Pavilions, it should coast to £55m pre-tax this year and it is hard to imagine a dramatic downturn thereafter: the company is deservedly well-regarded.

Ladbroke has 29.9% of T-Line

Ladbroke Group, the international leisure group which on Wednesday won approval from the board of Thomson T-Line for its £185.7m takeover offer, has boosted its holding in the industrial holding company to 29.9 per cent.

Thomson T-Line directors have also agreed to accept the offer for their shares which represent 11.8 per cent of the capital. Ladbroke's offer of 90p cash per share closes next Wednesday.

NHLC planning a restructure

By David Barchard

NATIONAL HOME Loans Corporation plans to establish a new group structure under a holding company. The aim of the reorganisation is to enable NHLC to reduce its dependence on the mortgage market as its sole source of income and to channel unused capital into new businesses.

The largest and most aggressive of the mortgage companies established in the mid-1980s to compete with the building societies, NHLC has been eager for some time to diversify its business into other financial services, possibly including banking. This is the first time that one of the new mortgage lenders has reorganised itself in this way.

Under the proposed reorganisation, NHLC, the existing mortgage company, will become a subsidiary of the new holding company. Shares held by existing shareholders will be cancelled and identical shares in the holding company will be allotted to those former shareholders. Shares in National Home Loans Holdings will replace those of NHLC on the Stock Exchange.

The mortgage company will make an upstream loan to its new parent to supply funds for the capitalisation of subsidiaries. These are likely to include leasing, mortgage servicing, mortgage credit insurance, business mortgages, and assured housing.

The proposals are subject to approval by NHLC shareholders as well as the company's banks and will require the approval of the High Court. A statement by the company yesterday said that, if approved, the reorganisation would take place in May this year.

The statement said that the UK mortgage market would remain the chief focus of the group's activities.

Parkfield not to bid for Hicking Pentecost

By Ray Bashford

PARKFIELD GROUP, the industrial holding company, has given an undertaking not to bid for Hicking Pentecost, the Nottingham-based knitwear manufacturer and dyer.

Directors of Parkfield yesterday ruled out an offer while attempting to clarify its position following the purchase this week of a 15 per cent stake in Hicking Pentecost.

"Parkfield does not seek board representation and has no intention of entering the textiles industry or of making a bid for Hicking Pentecost," directors said.

The holding represented less than 1 per cent of Parkfield's shareholders' funds and "may be of short-term duration".

Profits warning by Associated Paper

By John Thornhill

ASSOCIATED Paper Industries yesterday warned that it was currently showing lower profits than at the same stage last year.

Mr Charles Rawlinson, chairman, expressed caution in December about the short-term outlook and yesterday he said that this had proved to be well founded.

He added that the company was concentrating on reducing costs and improving productivity to meet the challenges of the market.

In the six months to April 2 last year, the group made pre-tax profits of £3.25m.

Last December, analysts were forecasting profits of around £8m for the year.

Randsworth stake

Randsworth Trust, the property investment and development company, yesterday announced that it had received notification that Reinhold, the Swedish property company, and various associated companies had bought 10 per cent of its shares.

NEI acquisition

Northern Engineering Industries, the electrical, electronic and mechanical equipment manufacturer, has purchased Merseyside-based Eagle Electrical Services from the receiver as a going concern for £135,000.

COMPANY NEWS IN BRIEF

ASSOCIATED BRITISH Engineering has acquired, through a subsidiary, the stock, work in progress and certain other assets of Haydn Davies Catering Equipment (1988), which is in liquidation. Consideration is £122,000.

DINKIE HEEL: when its rights closed on February 3, 1.87m of the issue (79.7 per cent) had been subscribed by shareholders. The balance has been sold in the market for a 1p premium with the proceeds to be distributed to non-subscribing shareholders in due course.

ELECO HOLDINGS is to acquire two private companies, D Sharp and Son (Transport) and Carlecotes Distribution for an initial consideration of £2.9m – £1m in cash and the rest in loan notes. Further payment up to a maximum of £1m depends on profits. At August 31 1988, the combined assets of the two companies were £1.3m.

MID WYND International Investment Trust: Net asset value was 220.9p per share at December 31 1988 (229.4p at June 30 1988). After-tax revenue for half year £83,686 (£51,358) and earnings per share 1.67p (1.02p). Interim dividend 1.55p (1.3p).

MIL RESEARCH Group has acquired Bulmershe Research for an initial £770,000, satisfied by a cash payment of £308,000 and the balance by the issue of 306,630 ordinary. Bulmershe is a UK-based specialist motor and consumer market research company carrying out surveys in the principal European countries.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bryant Group ....int	1.4	Apr 28	1.2	-	4.3
Elbief ....int	0.585	Apr 8	0.532	-	1.75
Inoco ....fin	0.225	Apr 3	-	0.225	-
Mid Wynd Intl ....int	1.55	-	1.3	-	3.2
Ransom (William).....int	0.5	-	0.44	-	1.34
Scandinavian Bk .....fin	5.68	May 31	5.3	8.5	8
Throgmorton USM ..fin	2	Apr 28	1.6	2	1.6
Ward Holdings ....fin	2.1	—	1.9	2.6	2.4*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

BOARD MEETINGS

TODAY

Interim- Second Alliance Trust.

Finals- Anglo & Overseas Trust, Grahams Rintoul Inv Trust, Investment Trust of Guernsey, Manchester Ship Canal, Stainless Metalcraft.

FUTURE DATES

Finals-

Bergesen D-Y	Feb. 16
Bowthorpe	Mar. 21
Parkdale	Feb. 16
Radius	Mar. 7
Simon Engineering	Mar. 16

UK COMPANY NEWS

New chairman moves in at troubled Glamar

By John Thornhill

MR STEPHEN BARKER, the former managing director of Albert Fisher who helped mastermind its expansion from grocer to international food distributor, is to become chairman and chief executive of Glamar Group, the troubled hosiery supplier.

In a related deal, Glamar announced that it is to raise £2.65m by way of a one-for-one rights issue. Proceeds will be invested in the development of the business.

Glamar will issue 6m new ordinary shares at 55p each. Mr Barker and other unnamed business associates will have a 29.9 per cent interest in the enlarged share capital.

Mr Barker started looking for business opportunities in mid-November after having left Albert Fisher. "After five years with the acquisitive Hawley Group (now ADT) and five years with Albert Fisher, I thought the time was right for me to branch out on my own," he said yesterday.

After reading about Glamar's torrid times, Mr Barker approached the company in mid-December and had discussions with it over the course of several weeks.

Mr John Phillips, Glamar managing director, yesterday said that the group had been impressed with Mr Barker and his proposals and had accepted his suggestion to inject cash into the business by way of a rights issue and his appointment as chairman and chief executive.

Mr Phillips said that the company had wanted to develop much more quickly and it thought that Mr Barker's substantial track record in expanding and acquiring businesses would be a great asset.

Glamar intends to spend £1.5m of the proceeds of the rights issue on increasing stock and introducing new product lines including socks and footwear. It will also spend £350,000 on acquiring the freehold of Cecil House, its premises in Leeds.

The balance will be spent on expansion in the textile, leather and household sundries sectors by means of organic growth and acquisition. The company said, however, that there were no current discussions about acquisitions.

Last November, Glamar announced that pre-tax profits had fallen to £30,000 (£514,000) in the six months to September 23 and that Mr Derek Guinness, founder and chairman of the company, had resigned due to ill health.

The company cited unforeseen circumstances and problems with the launch of its "classics" range as the reasons for the profits fall.

Stephen Barker: "Time to branch out on my own."

Sherwood takes initial step in European expansion

By Nikki Tait

SHERWOOD, the USM-quoted textiles group formerly known as Debfor, yesterday unveiled an agreed bid for Dentex, an Amsterdam-listed manufacturer of lace and allied products.

The cash offer, of Fl 40 for each Dentex share, values the Dutch company at Fl 42.58m (£11.6m). Ahead of the offer, Dentex shares were trading at Fl 37.9, having risen – partly on bid speculation – from a low of Fl 14.2 a year ago.

To fund the deal, Sherwood is issuing 3.14m new shares, which have been underwritten by County NatWest Woodmac at 345p. Existing shareholders, however, can claw back the new shares on a one-for-four basis.

This, together with new ordinary shares to be subscribed for by certain directors, raises £11.1m. The balance of the total consideration will come from existing resources.

Yesterday Sherwood, which last August augmented its UK lace-making operations with the £1m purchase of Floral Textile, said that – having reached a reasonable size in the UK market – it had been looking for expansion in Europe. Its existing interests already range from lingerie and nightwear to apparel lace.

Dentex came to the Amsterdam "parallel market" (roughly equivalent to the USM) in the mid-eighties. However, three Dutch venture capital groups remained major shareholders, accounting for just under 70 per cent of the equity. According to Sherwood, these institutions were known to be looking to exit. They have given irrevocable undertakings to accept the offer.

The Dutch company was founded in 1956, and now operates five factories – two in the Netherlands, one in Nottingham, one in Blomberg, West Germany, and a fifth in Calais. It also has sales offices in Hong Kong and Brussels.

Its sales have grown from Fl 34m in 1984 to Fl 79.9m in 1988, while pre-tax profits have increased from Fl 1.52m to Fl 3.88m. There was, however, a hiccup in 1987 – when sales fell from Fl 72.5m to Fl 68.5m and pre-tax profits from Fl 5.54m to Fl 3.1m.

Brierley has 10.1% of Wm Low

By Nikki Tait

SIR RON Brierley's IEP Securities has continued to build up its interest in William Low, the Scottish supermarket group. Yesterday, it was disclosed that the holding had risen to 10.14 per cent, or 3.97m shares.

Mr Jim Millar, Low's managing director, said that this reflected fairly steady buying by IEP, and that the company had already stated that it wanted to build up a stake.

Representatives from IEP visited Low last summer, although Mr Millar stressed that this was just a usual company visit offered to any institutional shareholder. Since then, he said, there had been no significant communication with IEP.

Low, he added, was "genuinely quite relaxed" about the holding. "I've got to say we take a fairly fatalistic view. We've been the subject of speculation for so long – it's no use getting worked up."

The Scottish company is one of the few remaining regional supermarket groups. Stakebuilding by New Zealand-based interests first came to light just ahead of the 1987 stock market crash. Yesterday, IEP declined to comment. Low shares were 5p higher at 274p.

Throgmorton USM Trust reports 13% growth in net assets

By Vanessa Houlder

THROGMORTON USM Trust, an investment trust specialising in the Unlisted Securities Market, yesterday announced a 13 per cent rise in its net asset value from 137.6p to 155.5p per share for 1988.

By contrast, the Datastream USM Leaders Index, comprised of the largest 100 companies on the USM, increased by 7.8 per cent in the same period, while the FT-A All Share increased by 6.5 per cent.

The company kept between 5 per cent and 10 per cent of its fund in cash last year, although it had since reduced its liquidity, said Mr Gary Fitz-Gerald, the trust's manager. He said that he expected to see USM stocks outperform the main market as the recent buying in major stocks cascaded down into the second and third line stocks.

The dividend is increased by 25 per cent to 2p (1.6p). Mr Fitz-Gerald said that this reflected a 36 per cent increase in the fund's overall income that stemmed from large increases in dividends. The trust emphasised, however, that its objective of capital growth remained paramount.

Earnings per share increased from 2.03p to 2.76p. Total revenue was £1.26m (£1.22m) before expenses and interest of £426,000 (£537,000).

Zurich Group says it is unlikely to meet forecast

By Philip Coggan

ZURICH GROUP, the property, motor dealing and demolition company, yesterday revealed interim pre-tax profits of £3.55m for the six months to October 31. But it said it would not meet the £6m nine month profits forecast it made when it joined the USM via the reverse takeover of Ecobric last year.

The company said it had decided to retain Lindsay Baines, the motor dealer, as a trading subsidiary and this meant it would not realise the anticipated £1m profit on disposal, nor would a £1m redevelopment profit be realised in the forecast period.

However, Zurich said it had achieved additional revenues from opportunities not foreseen at the time it joined the USM. Zurich's next report will be for the nine months to January 31 1989 to reflect a change in year end.

Ecobric, the demolition, foundry and plastics company, had performed below expectations and made a small loss in the period. Provisions would be needed in the group's annual accounts to reflect losses and restructuring costs.

Zurich said it had received a number of approaches for parts of Ecobric and was considering disposal or closure of some of the businesses.

A £400,000 contribution from Lindsay Baines helped boost interim profits from the previous year's first half total of £2.8m. Earnings per share increased from 2.8p to 3.1p.

There is no interim dividend but the directors said it was their present intention to recommend a final dividend of 1p. Zurich shares closed unchanged at 41p.

SHARE STAKES

The following changes in share stakes have been announced recently:

Beauford Group – Stewart Ivory and Co has acquired 926,100 7 per cent cumulative redeemable preference shares (8.48 per cent) registered in the names of Scottish American Investment Company.

Clinton Cards – A pension fund of which Mr DJ Lewin and Mr CS Lewin, both directors, are trustees and beneficiaries has bought 15,000 shares at 165p. Mr DJ Lewin is now interested in 4.62m shares (34.2 per cent) beneficially and 4.75m (35.2 per cent) non-beneficially. Mr CS Lewin is beneficially interested in 832,000 (6.2 per cent).

Daks Simpson Group – Mr HM Simpson has acquired 500 shares taking his holding to 157,325 (17.73 per cent). Mr YG Andrews, director, disposed of 50,000 'A' non-voting shares and now holds 456,672 (8.42 per cent) registered as Strand Nominees.

English China Clays – Sir Ron Brierley, through his IEP Securities, has cut his stake by 0.6 per cent to 4.94 per cent.

Frogmore Estates – Markheath Securities said that Jomet Pty acquired 25,000 shares taking the combined holding to 6m (15.06 per cent).

Health Care Services – Lodge Care has cut its holding to 227,500 following the sale of two blocks of 210,000 and 250,000.

Nash Industries – Mr DC Newton, director, has raised his beneficial holding to 1.53m shares (17.96 per cent) following the purchase of 25,000 at 130p and 5,000 at 128p.

SD-Scicon – discretionary clients under the management of Morgan Grenfell Investment Management have increased their holding to 36.38m shares (18.05 per cent).

Sketchley – stake held by discretionary investment portfolios managed by Mercury Asset Management has increased by 135,000 shares to 7.25m or 20.06 per cent.

Smurfit Jefferson – Mr MW Smurfit has increased his holding to 12.85m shares (6.16 per cent) with the acquisition of 1.5m.

Stylo – Mr AI Ziff has disposed of 3,334 voting shares and now holds 1.63m (8.45 per cent).

Thorpac Group – Mr Peter Underhill, director, has acquired 75,000 shares, registered in the names of Robert Underhill – 27,750, Rachael Underhill – 27,750 and Susan Underhill – 19,500, taking his holding to 1.74m (7.96 per cent).

Town Centre Securities – Junction Nominees holds 5.69m shares (6.06 per cent) following the acquisition of 450,000.

Willaire Group – South Yorkshire Pensions Authority disposed of 2.2m shares reducing its holding at 6.27m (12.16 per cent).

UK COMPANY NEWS

Great Southern in £5.82m expansion

By Andrew Hill

GREAT SOUTHERN Group, one of three funeral directors quoted on the Unlisted Securities Market, has bought three more funeral businesses for £5.82m.

The initial payments for the acquisition of funeral directors in south west London, Middlesex, Surrey and the Isle of Wight will be funded from cash resources and by the issue of 1.65m new ordinary shares, 1.5m of which will be placed with institutions at 197p a share, against yesterday's unchanged closing price of 213p. Further payments of £2m will be funded by vendor placings.

Great Southern said the acquisitions would increase the coverage of the group's pre-arranged funeral scheme, Chosen Heritage. Earlier this week Hodgson Holdings launched a competing scheme, Dignity in Destiny.

TH Sanders & Sons, based in Richmond, Surrey, is being bought for an initial £2.5m, with a further £2m payable in two instalments, in August of this year and February 1990.

Sanders made £340,000 before tax, on sales of £1.19m, in 1987. Net assets, including revalued freehold properties, stand at £3.49m. It has branches in Ham, East Sheen, Barnes, Roehampton, Twickenham, Whitton and Heston.

Great Southern is also buying two Isle of Wight funeral businesses, Newport Hire, for £1.03m, and Twymans, which is operated in conjunction with Newport, for £290,000. Newport returned profits of £75,000 before tax on turnover of £352,000 in the year to July 31, and Twymans made £22,850 on turnover of £65,000 in the year to September 30.

ScanBank on target with £23.56m

By David Barchard

SCANDINAVIAN BANK, the London-based international bank which floated multi-currency shares on the Stock Exchange in 1987, yesterday reported pre-tax profits of £23.56m in 1988.

The result, described as much in line with board expectations, was down from £26.58m a year ago. However this year the bank did not make any provisions against developing country risk. A year ago provisions of £27.21m transformed the bank's profit into an overall loss of £625,000.

Mr Egil Gade Greve, chairman, said that he was "cautiously optimistic" that the results for the bank would be satisfactory during the coming year because of the restructuring it has undergone in the last few years.

Group assets were £3.14bn (£3.26bn). The chairman's statement said that this reflected a group policy of keeping loans and advances relatively flat while concentrating on loan business in Scandinavia and the UK. More than half the bank's lending is in Scandinavia and the UK and half the loan portfolio has a maturity of under one year.

Loans and advances repayable after one year were £587.8m (£606.44m) while term deposits were £60.26m (£81.05m).

Earnings leapt to 19.1p (losses of 9.7p).

The final dividend is a recommended 5.68p per unit, which together with the interim dividend of 2.82p (2.7p) raises the total payment for the year to 8.5p (8p).

● COMMENT

Scandinavian's results were close to market expectations and reflect a highly cautious approach after the squalls of the bank's first year when it was hit in rapid succession first by LDC debt and then by the crash, particularly in Banque Scandinave en Suisse, its Swiss subsidiary. The effects of the crash on its Swiss fund management operation should not obscure the fact that three of its four core businesses did well and profits would otherwise have shown healthy growth on a reduced balance sheet. Now that the spectres of the crash and Third World exposure have receded, the bank is free to concentrate its sights on merchant banking and corporate business in Scandinavia. Better times should lie ahead. The bank has obvious potential as a corridor through which Scandinavian companies are likely to want to pass on their way into Europe in 1992. The internal restructuring which absorbed the bank's energies last year should provide the springboard for a stronger performance next year. The p/e ratio was 7.6 per cent.

Inoco takes 34% stake in Gulf Resources

By Graham Deller

INOCO, the property investment group, is returning to its original oil and gas exploration roots by purchasing a 33.9 per cent stake in Gulf Resources and Chemical Corporation, the US exploration, development and production company.

Inoco is buying the holding from David and Frederick Barclay for $41.08m (£23.5m), to be funded from existing facilities and further borrowings secured on the Gulf shares.

It is subject to the approval of Inoco shareholders and clearance under US anti-trust legislation.

Mr David Hudd, Inoco chairman, said the deal offered "a tremendous opportunity to achieve the group's sole objective of increasing net asset value by active management".

Following completion, Mr David Rowland, the entrepreneur who injected his property assets into Inoco last May, will be appointed president and chief executive officer of Gulf. Mr Hudd and Mr Jeremy James, another Inoco director, and Mr D Moran, an Inoco executive, will also join the Gulf board.

Gulf, listed on the New York Stock Exchange, achieved pre-tax profits of $40.6m in 1987, although this included a gain of $43.2m on the disposal of its interest in Imperial Continental Gas Association. Net assets at September 30 1988 stood at $181m, including liquid assets of $173m.

Inoco this week reported substantially increased taxable profits for 1988. On turnover of £9.86m (£3.73m), the pre-tax outcome leapt from £233,000 to £2.29m. Earnings per 10p share worked through at 1.62p (0.4p) and a maiden dividend of 0.225p is proposed for the year.

Mr Hudd said the group's property portfolio currently consisted of 66 properties valued at £81m generating net rental income of £6m. Shareholders' funds now stood at £70m against just £5m two years ago, he added.

An extraordinary profit of £5.92m (loss of £2.34m) related mainly to sales of investment properties.

Inoco said the disposals were made in order to reduce gearing while interest rates were increasing. At the year-end, borrowings amounted to £19.9m.

Procordia extends £63m bid for Bassett

By Lisa Wood

PROCORDIA, the Swedish group, yesterday extended its £63m hostile bid for Bassett Foods until February 22 and said it had not yet decided whether it would be countering the £91m agreed offer for the Jelly Babies manufacturer made by Cadbury Schweppes, the UK soft drinks and confectionery group.

Procordia, which held a 10.1 per cent stake in Bassett when it launched its 400p-per-share offer in January, said that by February 8, the first closing date, it either owned or had received acceptances for 10.2 per cent of Bassett's equity.

County NatWest, which is acting for Procordia, said nothing should be read into the extension of the existing offer. "All that it indicates is that we are still in the game."

The Bassett board last week gave its unanimous support to Cadbury which is offering eight new Cadbury shares for every five already held in Bassett, the equivalent of 579p per share. There is also a cash alternative of 536p per share.

Elbief profits advance 48%

Sharply increased sales of its clock and mirror ranges enabled Elbief to lift pre-tax profits 48 per cent to £225,000 in the six months to October 31 1988. Turnover rose from £2.08m to £2.3m.

The company said that while sales of clocks and mirrors had doubled compared with the same period of 1987, sales of photograph frames in the export market had remained static. They had, however, grown strongly in the UK.

Handbag frame sales, both home and abroad, had also shown little change and directors repeated the view that sales of the product had reached their low point.

Overall, full year sales and profits were expected to show an improvement on last year.

An interim dividend of 0.585p (0.532p) is payable from earnings of 1.15p (0.78p) per 10p share.

Wm Ransom 20% higher

Continued control of costs helped William Ransom & Sons, the Hertfordshire-based manufacturing chemist, announce a 20 per cent upturn in pre-tax profits to £307,000 in the half-year to the end of September.

Directors said that although the weather this winter had been mild so far, sales of cough and cold preparations had held up, while exports were buoyant in spite of the strong pound.

Turnover rose to £2.94m (£2.62m). After tax of £107,000 (£89,000), earnings per 10p share expanded to 1.32p (1.1p). The interim dividend is raised from 0.44p to 0.5p.

Platon offer raises £1.28m

Platon International, the USM-quoted measurement, control and information technology group, yesterday announced that it had raised £1.28m following its open offer.

In addition to the 581,805 shares (28.5 per cent) taken up by shareholders, 1.46m shares were taken up under the underwriting agreement by Safeguard, which also subscribed for a further 512,516 shares.

Following the initial announcement of the open offer, the auditors were able to issue an unqualified opinion on the company's year to April 1 1988.

Cost control helps return to profits at Sycamore

SYCAMORE HOLDINGS, the Burnley-based manufacturer of kitchen and garden furniture, foundry and plastic products, returned to the black in the 12 months to end-September 1988.

On turnover of £6.91m (£5.59m), the group turned in a pre-tax balance of £5,000 against losses of £156,000 in the previous year. Operating profits were £171,000 (losses of £111,000).

Mr Michael Hunton, chairman, said the group's objective of controlling operating costs had been achieved in high cost areas such as energy and materials.

This, he added, was particularly relevant in the face of price escalation which beset the world's aluminium processing industries leading to secondary ingot prices rising by some 60 per cent during the year.

Mr Hunton said that considerable price increases necessary to recover high metal costs had been accepted by the group's customers.

Earnings per share were 0.055p, compared with losses of 1.73p in the previous 12 months.

FT LAW REPORTS

Tin company is not bound by comfort letter

KLEINWORT BENSON LTD v MALAYSIA MINING CORPORATION BERHAD
Court of Appeal (Lord Justice Fox, Lord Justice Ralph Gibson and Lord Justice Nicholls): February 2 1989

A LETTER of comfort by which a parent company states that its policy is to ensure that its subsidiary can repay a loan, is a factual statement as to current policy and, in the absence of express words to the contrary or evidence of contrary intention, it cannot be enforced by the lender as a contractual promise to ensure repayment, though it was made for the purpose of inducing him to make the loan.

The Court of Appeal so held when allowing an appeal by the defendant, Malaysian Mining Corporation Berhad ("MMC"), from Mr Justice Hirst's decision (*[1988] 1 FTLR 283*) that it was contractually liable to the plaintiff, Kleinwort Benson Ltd, under a letter of comfort given by MMC in support of a loan made to its subsidiary.

LORD JUSTICE RALPH GIBSON said that Kleinwort was a merchant banker. MMC was a Malaysian company. Its wholly-owned English subsidiary operated as a ring dealing member of the London Metal Exchange.

The subsidiary's paid-up capital was £1.5m. It required larger funds to carry on trading. MMC negotiated with Kleinwort for the provision of funds. Kleinwort sought assurances from MMC as to its responsibility for the repayment by the subsidiary of any sums which were lent.

At first Kleinwort offered a £5m loan facility on terms that MMC and the subsidiary should be jointly and severally liable for amounts due.

Later it proposed a guarantee rather than joint and several liability. MMC stated it was not its policy to guarantee its subsidiary's borrowings, and it suggested a letter of comfort. By that stage Kleinwort realised it would not be able to obtain either joint and several liability or a guarantee from MMC.

A comfort letter dated August 21 1984 was provided by MMC in respect of the £5m loan facility. In paragraph 3 of that letter MMC asserted that "it is our policy to ensure" that the subsidiary's business "is at all times in a position to meet its liabilities to you under the above arrangements".

In 1985 the facility was increased by Kleinwort to a maximum of £10m in reliance on a second comfort letter dated May 7 1985 in substantially identical terms.

In October 1985 the tin market collapsed. The subsidiary ceased trading. Kleinwort demanded repayment. Nothing was paid and the subsidiary went into liquidation. Kleinwort called on MMC to ensure payment of the sums due.

MMC refused to pay. It said the statements in the letter of May 7 were not intended to be legally binding, and that it had given no assurance that the "policy" referred to would not be reviewed in the light of changing circumstances.

Mr Justice Hirst applied the principles that an agreement, though supported by consideration, was not binding if made without any intention of creating legal relations; but that in the case of an ordinary commercial transaction the onus of proving lack of such intention was on the party who asserted that no legal effect was intended, and was heavy (see *Edwards v Skyways [1964] 1 WL 349]*). He held that MMC had not demonstrated that the parties did not intend the letter to have effect as a contractual term.

In his view it was an undertaking that "now and at all times in the future" as long as the subsidiary was liable under the facility arrangements, it would be MMC's policy to ensure that it was in a position to meet the liabilities. He gave judgment against MMC for £12.26m damages for breach of contract. MMC now appealed.

Mr Stamler for MMC submitted that the term "comfort letter" was generally understood to include a letter giving comfort only, in the sense that the parent company assumed no legal liability to pay the debts of its subsidiary but, in recognition of its moral responsibility, acknowledged that the debts had been incurred with its knowledge and approval, and stated its present policy as to ensuring repayment.

He submitted that the statement in paragraph 3 of the letter was not a contractual promise and was not intended to have legal effect as such. It was a representation of fact as to MMC's policy at the time the statement was made. He said that to give the meaning the judge gave it required that no force should be given to the words "it is our policy."

Further, it was necessary to imply a promise that the policy would not be changed, and such an implication was not possible on the evidence.

Mr Waller for Kleinwort submitted that the statement in paragraph 3 was made in a commercial contractual document and should be treated as a contractual promise if it appeared on the evidence to have been so intended.

He said it was shown to have been so intended because the statement was made for the purpose of inducing Kleinwort to enter into the facility transaction, and it was plainly of decisive importance to the transaction.

Also, it was submitted, the statement as to present policy must be taken as including a promise that it would remain in force. The central question was whether the words of paragraph 3, considered in context, were to be treated as a warranty or contractual promise (see *Esso v Mardon [1976] 1 QB 802* – not cited to Mr Justice Hirst).

Paragraph 3 contained no express words of promise. It was a statement of present fact and not a promise as to future conduct. The absence of express words of warranty as to present fact, or the absence of express words of promise as to future conduct, did not conclusively exclude a statement from the status of warranty or promise.

An affirmation could only be a warranty provided it appeared on the evidence to have been so intended. The evidence did not show that the words used in paragraph 3 were intended to be a promise as to MMC's future conduct. It showed the contrary.

It was clear that the concept of a comfort letter, to which the parties had resort when MMC refused to assume joint and several liability or to give a guarantee, was known by both sides to include a document under which MMC would give comfort to Kleinwort by assuming, not a legal liability, but a moral responsibility to ensure payment.

There was nothing in the evidence to show that as a matter of commercial probability or common sense the parties must have intended paragraph 3 to be a contractual promise which was not expressly stated, rather than a mere representation of fact which was so stated.

The evidence of the context in which the comfort letter was given showed that the aim of the transaction was the provision of a letter of comfort in circumstances in which MMC had refused to assume legal liability for repayment of the money, whether in the form of joint and several liability or of guarantee. It was impossible to hold that the words in paragraph 3 were intended to have any effect between the parties other than in accordance with the express words used. They could not be regarded as intended to contain a contractual promise as to MMC's *future policy*.

Kleinwort had suffered grave financial loss as a result of the collapse of the tin market and from MMC's decision not to honour a moral responsibility which it had assumed to gain the finance necessary for its subsidiary's trading operations. MMC made no contractual promise.

The consequences of its decision to repudiate its moral *responsibility were not matters* for the court. The appeal was allowed. Lord Justice Nicholls and Lord Justice Fox agreed.

For Kleinwort: Mark Waller QC, Nicholas Padfield and Dominic Chambers (Herbert Smith).
For MMC: Samuel Stamler QC and Julian Gibson-Watt (Freshfields).

Rachel Davies
Barrister

Correction

A passage in yesterday's business law column "Myth of one-stop EC merger control" was incorrectly transcribed. It should have read as follows:

"A new approach [to EC merger control] is required. First, it should be recognised that share transactions have special requirements which call for separate treatment. A new regulation should be drafted for regulation under Art. 85."

COMMODITIES AND AGRICULTURE

Texan 'clean' beef offer may solve dispute with EC

By Nancy Dunne in Washington

THE TEXAS Agriculture Department said yesterday that the US Department of Agriculture was now co-operating to try to facilitate the sale of hormone-free beef to the European Community.

Such sales could lead to a settlement of the US-EC dispute over the Community's ban on imports of US beef from animals treated with growth-promoting hormones.

The US imposed a retaliatory ban on almost $100m worth of EC food products when the EC embargo went into effect on January 1.

Mr James Baker, the US Secretary of State, has intervened in the dispute, pushing for a settlement before his trip to Europe next week, according to the New York Times.

Mr Jim Hightower, the Texas agriculture commissioner, has been offering sales of Texan hormone- and antibiotic-free meat as a solution to the dispute. On Tuesday he outlined an export verification system which he said would make the sales possible.

He said EC officials had been working with the Texas Agriculture Department to help devise the certification procedure, and that European veterinary inspectors had reviewed it.

"As we suspected, meeting the EC's technical requirements turns out not to be the 'impossible task' the USDA officials claimed it was," Mr Hightower said. "Indeed, practically all the verification procedures required by the EC are either already practised by the USDA or can easily be incorporated into their current practices."

A USDA spokesman yesterday said it believed the Texan plan would satisfy the requirements of the Community "but we'll be glad to look at the plan."

Clayton Yeutter: proposals "undercut our position"

Mr Clayton Yeutter, who was sworn in yesterday as agriculture secretary, was biting about Mr Hightower's proposals last week, saying "they clearly undercut our position in a very major way."

Mr Hightower's offer was "greeted with glee by our friends in the EC, and that's understandable," Mr Yeutter said. "It would have been helpful to have had him on our side in that negotiation rather than on their side."

Mr Yeutter said the ban was "inappropriate, illegal under the Gatt rules, and improper." If sales of hormone-free beef went ahead it "would reduce the amount of damages to the US ... but it will by no means eliminate the damages."

It would not resolve the principles at issue, Mr Yeutter said, adding that the dispute would go on.

Mr Hightower's intervention has weakened the US case against the hormone ban. The Texas commissioner requested a doubling of the Community's 10,000-tonne quota for US prime beef, indicating that the US supply of "natural" hormone-free beef has grown so large that Texan production alone could fill a higher EC quota.

In its attempt to settle the dispute, the Community last November offered to expand the US quota to 20,000 tonnes.

● The offer of "clean" beef from several American states has been greeted with glee by some EC countries, but while the European Commission formally "welcomed" the latest reports, officials privately had strong doubts that they could break the impasse.

For one thing there is a wide awareness in Brussels that Washington's opposition to the EC hormones ban is based on the principle that barriers should only be put up where there is some scientific evidence to support them. So while the Texan suppliers may embarrass the US Administration, their actions are unlikely to provide the basis for a long-term political settlement.

The other problem is the practical one of ensuring that the US beef conforms with EC standards, something that can only be done after inspections of US meat plants have been carried out under EC certification procedures.

An EC official said yesterday: "We have no problems with the Texans as long as our conditions about the meat being treated are met."

Brown to retire as LME chief executive

By Kenneth Gooding, Mining Correspondent

MR MICHAEL Brown, who as chief executive of the London Metal Exchange since 1985 has played a major part in steering the LME through the most traumatic period in its long history, is to retire at the end of this year.

He said yesterday: "I've had 40 years in the commodities and metals markets, 40 years of commuting to London and the time has come to step aside and take life a little more slowly."

Mr Brown, who will be 57 in June, also said he wanted to give the LME enough time to select and appoint his successor. A former chairman of the LME committee and managing director of Lonconex, one of the ring dealing members of the exchange, Mr Brown joined the LME secretariat in March, 1985, in the newly-created post of chief executive.

Within six months of his appointment the exchange was rocked by the massive default of the International Tin Council.

He said yesterday: "It has been six years when there was one crisis after another."

However, in spite of the traumas the LME has retained its position as the world's most important terminal market for base metals and its prices are the most widely used in contract negotiations.

As LME chief executive and board member, Mr Brown was also closely involved in the restructuring of the exchange to conform with the requirements of the UK Financial Services Act.

Palestinians seek fruits of success

Andrew Whitley on Israel's controversial farm exports to the EC

PALESTINIAN farm exports to Western Europe – the subject of a lengthy political battle between Israel and the European Community – have got off to a shaky start, amid accusations of deliberate spoiling tactics by Israel and plain bad luck.

Internal politics are also souring the climate, with rivalries between established farming associations and more nationalistic development groups keen to establish themselves on the international map. Which of these are favoured by the EC member states and the Commission will carry weighty political implications.

Stirring the pot, meanwhile, the Defence Ministry in Tel Aviv has repeated earlier warnings against allowing the Palestine Liberation Organisation to become involved – code language for a preference for those more pliant Palestinians with whom the Israelis have always dealt.

Matters came to a head this week when Mr Shmuel Goren, head of the military-run Civil Administration for the West Bank and Gaza Strip, met senior EC officials in Brussels to discuss the progress of the agricultural exports agreement.

On the agenda were recurrent problems over the $3.3m to $3.5m in project aid allocated to the occupied territories by the EC each year. Part of this last year went to the PLO-oriented Economic Development Group and the Arab Development Credit Corporation in Arab East Jerusalem.

Politics aside, farmers' leaders say they are pleased with customers' initial response to winter vegetables such as aubergines and bell peppers grown in the West Bank and they plan to widen their distribution network in Europe next season. Despite complications surrounding the initial shipments, the farmers intend to spread out from their first base in France to the UK, West Germany and Sweden.

"The mistakes were out of our hands. It [the initial shipment] was a success," insisted Mr Khaled al-Quttab, Secretary of the Agricultural Co-operatives Union, the principal farming body in the West Bank. The union comprises eight marketing co-operatives and represents about 5,000 members, including nearly all of the region's large commercial farmers.

Mr Quttab, just back from talking to the Marseilles-based importers who handled two trial shipments of Palestinian vegetables over the past six weeks, said that in a normal season – from October to April – the West Bank was capable of shipping between 3,000 and 4,000 tonnes of first-grade aubergines to Western Europe.

The main constraint on raising the figure was the difficulty of disposing of the larger surplus of second-grade produce on the local market. With the doors to Israel and Jordan closed to West Bank vegetables this winter, crops have been rotting in the ground without buyers.

Ironically, the original stimulus for the Palestinians to upgrade the quality of their aubergines to European standards, was the opportunity to export through Agrexco, the Israeli state marketing body which they are now competing against.

In clear contravention of EC rules of origin, Agrexco used to purchase hundreds of tonnes from the West Bank to top up inadequate supplies from Israeli farmers.

ISRAEL's agricultural output declined by 5 per cent in volume terms last year, largely because of poor weather conditions, the official Central Bureau of Statistics has reported. This followed a 10 per cent rise the previous year.

Wheat and citrus crops each suffered declines of about a quarter, while output of avocados – an important export crop – plummeted by 73 per cent following an early summer heatwave.

The Government's figures estimated the overall value of agricultural production at Shekels 5bn ($3.2bn), a 15 per cent rise in nominal terms but an actual decline after inflation.

However, attitudes changed dramatically after the first, very modest, shipments of Palestinian produce set sail for France last December.

A threat from Agrexco – a leading force in the supply of fruit, vegetables and cut flowers to the Community – to sever its links with one importer, Compagnie Fruitiere, persuaded the company to drop out at the last minute. Two smaller wholesalers, V.G. Fruits and Agrosud, were able to fill the gap. But then the other original importer, Sud France, also received a phone call from Agrexco, which offered to do business with it. The offer was refused.

Sabotage was suspected when the crucial first shipment of 40 tonnes of aubergines – sent aboard an Israeli general cargo boat – arrived just too late for the peak Christmas sales period. In addition, nearly half of the contents of the refrigerated containers were spoiled, because of what independent French experts concluded was deliberate manipulation of the containers' temperature controls.

Dismissing deep-seated Israeli fears of competition from the lower-cost Palestinian farmers, the co-operatives' union points out that higher freight costs, equivalent to $400 a tonne, and delays resulting from stringent Israeli security checks cancel out this potential advantage.

Officials in Tel Aviv have long been concerned that the entire exercise, initiated by Brussels in October 1986, was a backdoor way of establishing the sense of an independent Palestinian entity in the minds of the European public.

Therefore, at Israel's insistence, none of the produce from the West Bank or the Gaza Strip being sold in the Community carries the obligatory declaration of place of origin. While the citrus from Gaza goes under the brand name "Gaza Top", the cartons of vegetables shipped from the West Bank carry the "Jericho" label.

Establishing the Jericho brand name in the market place is the next big challenge for Mr Quttab. To this end, he says, next season every aubergine will carry an identifying sticker.

Direct marketing campaigns are ruled out, however, as not being justified by the present volumes.

At current average prices winter aubergines could earn the Palestinians about $3m a year.

Another requirement is to improve the present rudimentary grading and packing facilities in the West Bank, and to put up cold storage plants. Here the Community is expected to be of financial assistance.

With the French importers reportedly satisfied with the quality of the produce and the standard of packaging, Mr Quttab wants to proceed step-by-step in exploiting the potentially huge market opportunity prised open by the European Commission.

"We'll add additional items such as hot peppers as we go along," he says.

The Palestinians are realistic enough not to want to challenge the Israelis in areas such as winter strawberries or avocados, where Agrexco is firmly established in Europe. But there is enough optimism for talk of experimenting with certain high-value items such as asparagus and kiwi fruit, which would grow well in the all-year warmth normally enjoyed in the fertile Jordan valley.

Indonesia to increase sugar imports

INDONESIA WILL increase its sugar imports to 230,000 tonnes this year from 180,000 tonnes in 1988, an official of Bulog, the National Logistics Agency, said, Reuter reports from Jakarta.

But trade sources said the figure seemed low, and estimated imports of up to 400,000 tonnes would be needed to supply the country's needs and top up stocks.

"We have to import more sugar because the current supply is still below our ideal stocks," the Bulog official said, adding that Indonesia's sugar stocks had fallen to around 400,000 tonnes short of the 1.4m tonnes safety level.

He said Indonesia consumed some 2.4m tonnes of sugar a year, 100,000 less than agriculture officials expect it to produce in 1989.

US herd reduction less than expected

By Deborah Hargreaves in Chicago

CATTLE futures prices came under pressure in Chicago yesterday after the US Department of Agriculture published a report that showed the size of the US cattle herd had not declined by as much as analysts had expected.

The department estimated a total of 99.5m head for the US beef cattle herd – just slightly below last year's level. The figures indicated that the beef herd was finally stabilising after seven year's of sharp declines. In 1988 the herd fell below 100m head for the first time since 1961.

Analysts had expected the downtrend to continue and had been predicting a herd of some 98m head this year. The higher figure was enough to jolt live cattle futures out of their trading range on the Chicago mercantile Exchange and push them sharply lower.

The USDA estimates seemed to indicate that producers had finally accepted that "the higher prices are for real" and were starting to rebuild their herds, according to Mr Chuck Lambert at the National Cattlemen's Association. Cash prices for beef cattle averaged $75 a hundredweight in January, compared with $67 last year.

The report also showed a 5 per cent rise in the number of beef heifers retained by producers for breeding. This, accompanied by an 8 per cent drop in slaughter of beef cattle showed that producers boosting their herds.

Noranda to restart copper mine

By Robert Gibbens in Montreal

THE NORANDA mining company of Canada is restarting production next week at its Gaspe copper mine, 700 miles north-east of Montreal, at a planned milling rate of about 3,000 tonnes of ore a day.

Higher-grade ore will be mined initially because the company expects the world copper price to decline below US$1 a lb by the end of the year.

The company had to close the mine in April, 1987, after a serious fire, and then it decided that prices were too low to justify its rehabilitation. It kept its Gaspe copper smelter nearby in operation, mainly handling ores from overseas.

US coffee roasters tough on new accord

COFFEE roasters attending the US National Coffee Association's annual convention in Florida this week agreed that a new price-supporting International Coffee Agreement would have to be fundamentally different from the current pact for it to be acceptable, Reuter reports from Boca Raton.

In particular the NCA said its members would not accept the renewal of the agreement after it expires in September unless cut-price sales to non-members were ended and more flexibility was allowed for changes in demand for certain types of coffee.

"For the first time since I've been coming to this convention, I see a lot of people who don't even care if there's an agreement," commented one disenchanted trader. "The market's split about 50-50 between those who don't think it matters and those who'd like to see an agreement," said another.

"People are tired of all the talk and are really tired of a two-tier market. And many don't think the market would necessarily collapse if there wasn't an agreement."

Tighter coffee supplies because of a drought-reduced 1989-90 Brazilian crop and dwindling consumer stocks suggested that prices might hold current levels even if export quota arrangements were discarded, some traders said. But others thought prices would fall sharply if producer/consumer talks failed to yield an agreement.

"The market is going to react to conditions prevailing at the negotiations. A lack of general acceptance by April would be putting things pretty late and the market would get extremely nervous," a buyer for a major North American roaster said.

In November, producers rejected the concept of a universal export quota proposed by European consumers as a way of eliminating the two-tier market. Subsequently, consumers rejected a producer proposal calling for stricter penalties for producers who sold cheaply to non-members.

On Tuesday, Jorge Cardenas, chief of Colombia's National Federation of Coffee Growers, said that Colombia was planning to revive a plan giving greater weight to producer stocks when calculating coffee export quotas as a way of ending two-tier pricing.

On Wednesday, representatives from Mexico, Guatemala, El Salvador, Costa Rica, Colombia and Honduras were said to have met for informal talks

WORLD COMMODITIES PRICES

LONDON MARKETS

Tin prices on the European free market yesterday reached the highest level for nearly three years. Spot tin was indicated in the range $7,780 to $7,800 a tonne for high grade metal in warehouse Rotterdam compared with $7,720 to $7,750 a tonne on Wednesday. On the London Metal Exchange zinc prices firmed as several North American producers announced price increases, giving confirmation of good demand in the region. Traders said this might give the market sufficient upward impetus to break through trade selling resistance around $1,800 a tonne. Sugar futures moved to a five-week peak, primarily on technical factors, but a supportive backdrop was provided by the latest estimate of the world sugar balance by the F O Licht statistics agency which said stocks by the end of 1988/89 will be at the lowest levels since 1982.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.20-4.30z	-0.20
Brent Blend	$16.80-6.90w	-0.25
W.T.I. (1 pm est)	$17.35-7.40z	-0.29
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$160-163	
Gas Oil	$138-138	-1
Heavy Fuel Oil	$68-70	
Naphtha	$159-161	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$394.25	+3.75
Silver (per troy oz)♣	590c	+2
Platinum (per troy oz)	$538.25	+8.0
Palladium (per troy oz)	$141.25	+0.50
Aluminium (free market)	$2195	+40
Copper (US Producer)	138⅝-144c	+3⅛
Lead (US Producer)	38.5c	
Nickel (free market)	816c	-9
Tin (European free market)	£4437.5	
Tin (Kuala Lumpur market)	20.70r	+0.19
Tin (New York)	354.5c	+1.5
Zinc (US Prime Western)	78¾c	
Cattle (live weight)††	108.41p	-2.20*
Sheep (dead weight)††	132.09p	-5.94*
Pigs (live weight)†	81.59p	-0.05*
London daily sugar (raw)	$260.0x	+4.0
London daily sugar (white)	$286.0x	+2.0
Tate and Lyle export price	£257.5	+1.5
Barley (English feed)	£115	+1.5
Maize (US No. 3 yellow)	£132	
Wheat (US Dark Northern)	£124.5v	-1.25
Rubber (spot)♥	58.50p	-0.75
Rubber (Mar)♥	69.50p	-1.00
Rubber (Apr)♥	70.00p	-1.00
Rubber (KL RSS No 1 Mar)	309.0m	-3.0
Coconut oil (Philippines)§	$530x	
Palm Oil (Malaysian)§	$402.5	
Copra (Philippines)§	$370	
Soyabeans (US)	$187.5x	-3.5
Cotton "A" index	62.95c	-0.40
Woolstops (64s Super)	678p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Mar/Apr. q-Apr/Jun. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Mar	855	851	859	845
May	874	864	874	859
Jul	870	860	872	855
Sep	862	852	862	852
Dec	876	861	876	864
Mar	865	855	866	853
May	870	858	857	

Turnover:5050 (10501) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 8: 1118.05 (1114.42):10 day average for Feb 9: 1107.55 (1105.52).

COFFEE £/tonne

	Close	Previous	High/Low	
Mar	1185	1188	1185	1168
May	1155	1162	1156	1138
Jly	1139	1148	1137	1130
Sep	1124	1135	1127	1121
Nov	1120	1130	1115	1114
Jan	1116	1128	1121	

Turnover:2756 (2912) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 8: Comp. daily 122.60 (122.82); . 15 day average 122.47 (122.64).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	236.60	229.40	237.20	230.60
May	241.60	235.20	242.00	235.40
Aug	241.00	235.00	239.40	235.00
Oct	238.40	232.00	238.20	233.00
Dec	239.00	230.00	230.00	
Mar	235.00		232.00	231.40
May	234.00	227.00	232.20	229.60
White	**Close**	**Previous**	**High/Low**	
Mar	289.00	286.50	289.00	285.00
May	282.00	275.00	281.00	275.50
Aug	281.00	275.50	278.80	274.50
Oct	272.00	266.00	271.00	267.00
Dec	270.00	262.50	268.00	

Turnover: Raw 4313 (3152) lots of 50 tonnes. White 1439 (1246).
Paris- White (FFr per tonne): Mar 1812, May 1759, Aug 1765, Oct 1710, Dec 1700, Mar 1675

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2050	156	172	10	64
2150	82	117	35	107
2250	35	76	86	164
Copper (Grade A)	**Calls**		**Puts**	
2900	201	183	36	179
3100	84	106	117	298
3300	26	68	257	445

FRUIT AND VEGETABLES

THE FIRST Jamaican Uglis are in the shops this week at 45-60p each, reports FFVIB. Other new arrivals include Anjou pears from the USA at 35-60p a lb and Williams pears from France at 45-60p. Cauliflowers are abundant, thanks to the recent unseasonally mild weather at 40-65p (45-70p) and all varieties of cabbage are also plentiful 14-30p. Supplies of magetout from Spania, South Africa, and Morocco have increased this week £1.10-1.60 (£1.50-2.00), while carrots 10-30p are at the same price as last week. The prices of tomatoes, 50-70p, and celery 50-65p are constant, while supplies of cucumbers have improved, 70p-£1.00 (80p-£1.00). Top quality round lettuces now cost 35-45p (30-40p) but Icebergs are plentiful at 50-80p (60p-£1.00).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 16,800 tonne
Cash	2180-90	2245-50	2192	2191-3		
3 months	2160-5	2210-3		2172-4		27,014 lots
Copper, Grade A (£ per tonne)						Ring turnover 47,375 tonne
Cash	1755-60	1775-8	1762/1760	1761-3		
3 months	1686-7	1705-6	1701/1679	1687-8	1698-700	66,689 lots
Silver (US cents/fine ounce)						Ring turnover 80,000 ozs
Cash	586-9	585-7		587-90		
3 months	599-602	597-600		600-3		363 lots
Lead (£ per tonne)						Ring turnover 9,850 tonne
Cash	359-60	362.5-3	360	360-1		
3 months	384-4.5	386-7	385.5/384	385-6	386-7	9,412 lots
Nickel ($ per tonne)						Ring turnover 2,502 tonne
Cash	18400-500	18300-600	18500/18225	18200-50		
3 months	18250-300	18100-200	18300/18100	18110-200	18200-50	6,420 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 5,525 tonne
Cash	1925-30	1905-10	1900	1900-5		
3 months	1860-5	1846-50	1860/1840	1835-40	1860-5	4,210 lots
Zinc ($ per tonne)						Ring turnover 15,050 tonne
Cash	1845-55	1820-5	1828	1827-9		
3 months	1781-5	1755-60	1800/1750	1755-8	1780-5	11,787 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Apr	70.2	70.5	71.6	69.9
May	85.3	85.3	86.2	84.9
Nov	90.5	89.5	91.1	90.0
Feb	101.0	102.0		

Turnover 143 (172) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Apr	158.00	158.50	159.00	158.00
Jun	152.00	152.50	152.00	
Aug	148.30		148.30	

Turnover 618 (121) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Feb	1518	1515	1521	1495
Mar	1575	1570	1575	1552
Apr	1605	1597	1605	1590
Jul	1438	1428	1440	1420
Oct	1570	1553	1570	
Jan	1580	1575	1580	
Apr	1629	1623	1629	
BFI	1526	1533		

Turnover 421 (568)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Mar	111.75	111.75	111.75	111.50
May	115.60	115.60	115.60	115.50
Jun	117.30	117.30	117.30	117.20
Sep	102.95	103.05	102.95	
Nov	105.40	105.50	105.40	
Barley	**Close**	**Previous**	**High/Low**	
Mar	109.00	109.45	109.25	108.65
May	110.90	111.45	111.00	110.65
Sep	100.00	100.10	100.00	
Nov	103.20	103.30	103.20	

Turnover: Wheat 134 (122) , Barley 132 (160) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	394-394½	224½-225
Opening	394-394½	224¾-225¼
Morning fix	393.80	224.712
Afternoon fix	393.80	224.170
Day's high	395-395½	
Day's low	393½-394	
Coins	**$ price**	**£ equivalent**
Mapleleaf	405-410	230½-233½
Britannia	405-410	230½-233½
US Eagle	405-410	230½-233½
Angel	405-410	230½-233½
Krugerrand	393-396	224-226
New Sov.	92¾-93¾	52¾-53½
Old Sov.	92¾-93¾	52¾-53½
Noble Plat	544.55-553.65	310.70-315.90

Silver fix	p/fine oz	US cts equiv
Spot	337.95	593.40
3 months	348.85	607.55
6 months	359.05	621.60
12 months	379.05	651.15

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Mar	16.04	16.18	16.06	15.89
Apr	15.61	15.72	15.64	15.45
IPE Index	16.11	15.98		

Turnover: 4427 (3796)

GAS OIL $/tonne

	Close	Previous	High/Low	
Mar	139.00	139.75	139.00	137.00
Apr	137.00	137.25	137.00	135.00
May	135.00	135.25	135.25	133.00
Jun	133.50	133.00	133.50	132.00
Jul	133.00	134.00	133.00	132.75
Oct	137.75		137.75	137.50

Turnover 5609 (7450) lots of 100 tonnes

US MARKETS

LIVE CATTLE futures were sharply lower to limit-down as the market reacted to bearish interpretations of the U.S.D.A. inventory report, reports Drexel Burnham Lambert. Heavy long-liquidation and stop loss selling accounted for much of the action. Pork bellies continued to ease reflecting large stocks and the weakness in the cattle, and live hogs also saw some spill-over selling. The grains were mixed and lacklustre as the markets awaited publication of both the world crop and U.S. supply/demand reports. Sugar rallied with trade buying and commission house short-covering as the market broke near-term downtrend lines in response to a sugar report indicating smaller than expected stocks worldwide. Cocoa firmed as the U.S. dollar weakened, with technical buying, but fell back as the market failed to close an overhead chartgap. Coffee tended to consolidate, awaiting fresh news. Cotton and orange juice were both lower as trade selling touched-off commission house sell stops. Short-covering and profittaking was noted at lower levels, however. The precious metals closed unchanged to lower following earlier trade

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	394.9	396.2	396.0	395.5
Mar	396.3	397.4	0	0
Apr	398.0	399.1	401.2	397.4
Jun	403.0	404.1	406.3	402.5
Aug	408.4	409.5	410.8	409.0
Oct	413.9	415.0	417.0	414.5
Dec	419.4	420.5	422.0	419.0
Feb	424.9	426.2	426.0	425.0
Apr	430.7	431.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	532.4	539.8	0	0
Apr	532.7	540.1	543.5	531.5
Jul	529.7	537.1	540.0	532.5
Oct	528.9	536.6	539.0	536.0
Jan	529.9	537.8	537.0	536.0
Apr	532.9	540.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	589.1	591.7	0	0
Mar	591.5	594.5	598.0	591.0
Apr	596.5	598.5	0	0
May	601.7	604.7	608.0	601.0
Jul	612.3	615.3	618.0	612.0
Sep	622.5	625.5	628.0	622.0
Dec	637.7	640.4	644.0	637.5
Jan	642.2	644.8	0	0
Mar	652.9	655.3	658.0	655.0
May	663.3	665.7	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	136.00	135.75	138.00	136.00
Mar	133.75	134.00	134.90	132.50
Apr	129.25	129.15	129.25	129.25
May	126.50	126.90	127.30	125.75
Jul	120.00	119.90	120.70	118.70
Sep	116.25	115.90	117.00	115.70
Dec	112.75	112.40	113.50	112.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	17.36	17.49	17.48	17.27
Apr	16.91	16.99	17.03	16.81
May	16.66	16.69	16.77	16.52
Jun	16.42	16.42	16.63	16.28
Jul	16.20	16.19	16.30	16.06
Aug	16.04	15.99	16.10	15.86
Sep	15.96	15.84	15.95	15.75
Nov	15.75	15.70	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	4675	4607	4605	4555
Apr	4665	4689	4710	4645
Jun	4400	4375	4445	4385
Jul	4350	4325	4395	4325
Aug	4425	4370	4445	4425
Sep	4485	4435	4485	4485

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1521	1496	1530	1487
May	1467	1449	1480	1448
Jul	1454	1406	1455	1412
Sep	1437	1396	1438	1398
Dec	1416	1371	1420	1376
Mar	1400	1380	1400	1380

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	139.95	138.83	140.30	137.25
May	132.47	130.94	132.75	130.00
Jul	128.77	128.00	128.00	128.00
Sep	124.85	124.77	124.85	123.65
Dec	122.85	120.74	122.85	120.50
Mar	123.11	121.00	121.50	121.00
May	120.99	118.88	0	0
Jul	119.74	117.63	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.65	10.28	10.67	10.38
May	10.74	10.44	10.76	10.51
Jul	10.70	10.46	10.72	10.46
Oct	10.56	10.33	10.57	10.35
Jan	9.95	9.90	0	0
Mar	10.35	10.11	10.36	10.20
May	10.39	10.13	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	57.64	59.39	58.90	57.50
May	58.19	59.75	59.25	58.15
Jul	58.31	59.80	58.35	58.25
Oct	57.95	58.80	58.20	57.90
Dec	57.95	58.70	58.40	57.75

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	136.70	138.50	139.50	135.50
May	135.90	138.80	138.50	136.50
Jul	135.75	136.50	137.00	135.75
Sep	135.75	136.30	136.50	136.50
Nov	132.75	133.10	134.10	133.00
Jan	130.75	130.95	130.95	130.95
Mar	130.00	130.40	0	0
May	130.00	130.40	0	0
Jul	130.00	130.40	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 8	Feb 7	mnth ago	yr ago
1975.8	1967.5	1999.7	1760.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 8	Feb 7	mnth ago	yr ago
Spot	135.91	135.40	142.19	129.90
Futures	139.67	139.87	144.47	133.86

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	746/0	746/0	748/0	742/4
May	756/4	757/0	758/4	753/2
Jul	763/0	762/6	765/4	760/0
Aug	758/0	759/0	760/4	755/4
Sep	733/0	733/4	737/0	733/0
Nov	717/2	718/4	722/0	716/0
Jan	725/4	724/6	728/0	725/0
Mar	731/0	730/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.62	21.50	21.65	21.46
May	22.14	22.01	22.17	21.97
Jul	22.65	22.52	22.67	22.50
Aug	22.85	22.74	22.85	22.74
Sep	23.10	22.97	23.10	23.00
Oct	23.22	23.10	23.20	23.25
Dec	23.50	23.30	23.50	23.40
Jan	23.60	23.40	23.60	23.45
Mar	23.60	23.40	23.55	23.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	238.2	238.6	239.3	237.3
May	237.0	237.6	238.0	236.3
Jul	234.5	234.5	235.3	233.6
Aug	231.2	231.5	232.0	231.0
Sep	226.5	226.0	226.5	226.0
Oct	219.5	220.5	220.5	219.5
Dec	217.5	217.5	218.5	217.5
Jan	218.2	217.9	218.2	218.2

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	265/0	264/6	266/4	262/6
May	271/2	271/2	273/0	269/0
Jul	275/2	275/0	276/2	272/6
Sep	269/2	269/4	270/0	266/4
Dec	269/4	268/4	270/0	265/4
Mar	276/2	275/2	276/2	272/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	425/2	428/2	428/4	422/4
May	424/2	427/0	426/6	423/4
Jul	404/2	407/2	406/4	403/0
Sep	409/2	412/4	411/6	409/0
Dec	420/6	424/0	423/0	419/0
Mar	424/0	425/6	426/0	424/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	73.97	75.37	74.17	73.87
Apr	75.22	76.72	75.22	75.22
Jun	74.15	75.65	74.15	74.15
Aug	72.17	73.67	72.17	72.17
Sep	72.00	73.15	0	72.00
Oct	71.32	72.82	71.80	71.32
Dec	72.40	73.90	72.80	72.40
Feb	72.20	73.70	72.50	72.20

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	41.90	42.60	42.60	41.85
Apr	41.80	42.30	42.10	41.56
Jun	46.32	47.32	46.90	46.20
Jul	46.60	47.62	47.00	46.32
Aug	45.85	46.90	46.40	45.75
Oct	43.20	43.97	43.70	43.00
Dec	44.77	45.75	45.40	44.70
Feb	46.00	46.40	46.00	46.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	37.57	38.30	38.07	37.35
Mar	37.57	38.32	37.87	37.15
May	38.30	39.17	38.75	38.00
Jul	38.87	39.97	39.70	38.70
Aug	38.17	39.30	39.10	38.05
Feb	53.85	53.97	53.85	52.57
Mar	51.80	51.90	0	0

LONDON STOCK EXCHANGE

Equities turn weaker in late trading

A SOMEWHAT confused trading session saw UK equities beginning to run into the widely-predicted correction in late dealings, when London turned sharply downwards despite a mid-session rally on Wall Street. Traders reported growing signs of nervousness, with some market makers offering to trade for the new equity Account, which opens on Monday, at a nil premium, which appeared to reflect a bias towards "new time" selling orders.

Dealers were also "intrigued by what will happen on Monday morning, when the changes in Seaq share reporting come into effect," to quote one US trading house. Large deals will then go unreported until the following day, helping market makers to unravel share positions without alerting competitors.

Account Dealing Dates

*First Dealings:	Jan 30	Feb 13	Feb 27
Option Declarations:	Feb 9	Feb 23	Mar 9
Last Dealings:	Feb 10	Feb 24	Mar 10
Account Day:	Feb 20	Mar 6	Mar 20

*New time dealings may take place from 9.00 am two business days earlier.

The market's rejection of Wall Street's lead at the end of the session contrasted with its earlier behaviour. London opened sharply down after New York had given ground overnight. But the fall of 13 FT-SE points was recouped quickly and the market was trying to edge higher until international traders scented a lower opening on Wall Street ahead of President Bush's Budget address. UK equities joined in heartily when New York opened on the downside, but refused to join in when prices steadied on the other side of the Atlantic.

The final slide left the FT-SE Index 17.1 points down at 2079.1, with the 2,100 mark, a chart hurdle, slipping further from the market's grasp.

The erratic performance of share prices bore witness to aggressive price changes at the market making houses rather than to institutional activity. Many funds are believed to regard UK equities as over-bought for the present, and the inability of both Wall Street and the London market to surmount important chart levels has further encouraged caution.

Seaq volume of 830.1m shares, against Wednesday's 830.9m, remained high and was once again boosted towards the end of the session.

Selling pressure was highly selective and fell mostly on the more speculative of the domestic stocks. Losses in the international, dollar-earning issues, which are regarded as defensive plays if US interest rates move higher, were mostly small. ICI, Glaxo and BOC gave back less than 10p of their recent gains.

The UK market has enjoyed a honeymoon this week, with little significant economic data to test it. Today, however, brings Wall Street's response to the Bush Budget address, and next week the latest UK retail sales, average earnings and retail price data. Monday also sees the opening of the corporate reporting season, in which comment on current trading could significantly affect market sentiment.

FINANCIAL TIMES STOCK INDICES

	Feb. 9	Feb. 8	Feb. 7	Feb. 6	Feb. 3	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	89.25	89.29	88.88	89.00	88.92	88.51	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.28	97.18	97.08	97.63	97.45	94.97	98.67 (25/5/88)	94.14 (6/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1702.9	1714.7	1694.9	1688.2	1689.0	1381.0	1714.7 (8/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	168.9	168.2	165.8	165.3	166.9	252.7	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Dl. Yield	4.28	4.25	4.31	4.38	4.34	4.52
Earning Yld %(full)	10.72	10.65	10.80	10.98	10.87	11.39
P/E Ratio(Net)(☆)	11.32	11.39	11.23	11.05	11.17	10.73
SEAQ Bargains(5pm)	40,492	43,973	33,153	40,423	40,053	21,593
Equity Turnover(£m)†	-	1500.88	1250.67	1051.03	1424.87	868.59
Equity Bargains†	-	47,462	38,322	46,400	41,223	24,441
Shares Traded (ml)†	-	888.5	518.7	454.0	611.1	342.7

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1705.6	1708.2	1713.5	1713.3	1713.9	1709.0	1704.4	1704.0

DAY'S HIGH 1717.4 DAY'S LOW 1700.4

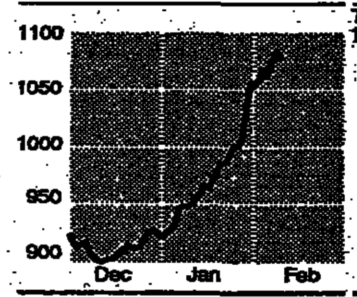
Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.25 †Excluding intra-market business.

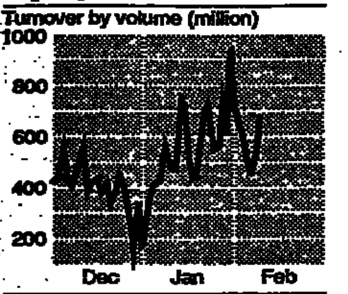
● S.E. ACTIVITY

Indices	Feb.8	Feb.7
Gilt Edged Bargains	110.2	91.8
Equity Bargains	307.5	248.3
Equity Value	3033.7	2527.3
5-Day average		
Gilt Edged Bargains	101.0	100.4
Equity Bargains	279.9	285.3
Equity Value	2793.1	2201.6

● London Report and latest Share Index: Tel. 0898 123001

Another test for Wellcome





The pharmaceuticals group Wellcome, which markets Retrovir, the anti-Aids drug, came under pressure early yesterday after Nature, the scientific journal, reported further developments involving CD4, the potential anti-Aids treatment researched by Genentech of San Francisco. The shares steadied later but were still sharply lower, although London analysts doubted whether CD4 presents a threat to Retrovir, Wellcome's product.

The initial markdown in Wellcome shares to 480p came largely in pre-market deals and represented the immediate reaction on trading desks to references in the UK morning press to the Genentech stories. Later, after City analysts had addressed their morning meetings, selling slackened and by the close the shares stood at 487p, a fall of 22 on the day on substantial turnover of 3.9m shares.

BZW, a major London securities house, maintained their "buy" rating on Wellcome after Mr Steve Plag and Mr Jonathan de Pass, pharmaceuticals analysts, said CD4 was more likely to be used, "in combination" with Retrovir.

Dixons resilient

Dixons, the subject of consistent bid speculation in recent weeks, showed remarkable resilience after both Smith New Court and Hoare Govett lowered their profits forecasts for the electrical retailing group. At one stage the shares were 6 lower, but by the close they had recovered to stand just 2 easier at 161p on turnover of 11m shares. The slowdown in consumer spending has hit electrical retailers hard, and after meeting with the company on Wednesday Smith has gone down to £82.5m for year-end April 1989 and £90m for 1990, while Hoare has plumped for £84m and £85m respectively.

The performance of Dixons shares since the New Year, said dealers, has shown that investors are willing to ignore the poor trading news and hold the stock on purely bid grounds. This sentiment was echoed by a senior stores analyst: "On fundamentals they're overvalued, but as the leading electrical company in the UK with a good presence in Europe and the US they're remarkably cheap for any prospective bidder." Boots has been frequently named as a possible predator, and well-informed observers have indicated that a major UK acquisition, possibly in the electrical or household goods sector, could be in the pipline. A price of 225p has been touted in the market as the likely opening shot for Dixons.

Pearson falls

The effects of the latest deal with Elsevier, the Dutch publishing house, eventually brought dullness to shares of Pearson which closed 29 down at 714p yesterday. The vendor placing of some 11m shares at 715p each, necessary to finance the £78.3m purchase of Bishopsgate Investment Trust's 7 per cent stake, went very well and was completed, said the UK group's advisors.

There was little interest in the marketplace, however, with turnover amounting to only 674,000 shares. After resisting early attempts to react, the Pearson share price succumbed to the downturn affecting the wider market and settled near the session's lowest. *Maxwell Communication*, owners of Bishopsgate IT, rose 7 to 229p.

Our comment on ICI in Thursday morning's edition failed to stress that Hoare Govett considers the shares undervalued on the basis that the current rating is discounting "far too bearish an outlook". Mr Mike Lewis, one of the chemicals team at Hoare, forecasts pre-tax profits of £1,480m from ICI, when 1988 results are announced on February 23.

ICI shares mirrored the market trend yesterday, slipping to 1218p in early trading, rallying later to 1224p before closing at 1221p, a net 5 down on the day.

Turnover was modest at 1.7m shares.

The leading internationals gave back a few pence of the substantial gains scored over the past month, but selling pressure was patchy and not usually on any great scale.

The life assurance, heavily bought in recent sessions, ran into a wave of selling pressure. **Prudential**, the top-quality stock in the sector and strongly promoted recently by many of the leading securities houses, attracted some hefty selling pressure which included a single sale of 2.5m shares at 173p. But the reaction of at least three houses was that the stock now represented excellent value at these levels. Turnover in Pru approached the 9m mark.

Keen buying of the shares ahead of the special dividend failed to prevent Abbey Life slipping away to close a net 5 off at 320p. Dealers said a "switch" move involving Legal & General turned into a straight "sell" and left Legals 7 lower at 335p.

The Adelaide Steamship stake-switching speculation initially pushed Commercial Union up to 402p before a subsequent close of 398½p, a shade up on the day, but left Royals 9 lower at 434p; the Adsteam holding in Royals was last notified as just over 6 per cent.

Hogg Robinson Gardner Mountain suffered from adverse Press comment, retreating 9 to 156p.

George Wimpey, was just about everyone's bid favourite in the building sector, with the shares moving up 6 to 301p, after 304p, amid keen trading in the shares. Turnover totalled 5.2m. Talk in the market continues to suggest that a consortium bid for the group is in the process of being put together by a merchant bank and that the Grove Charity Trust has again been made an offer for its 35 per cent stake in the company.

There was also talk that dealers were picking up lines of stock in other leading housebuilders and construction stocks to help reduce their exposure to any predatory move against one of the top buildings firm.

John Laing stock, well supported recently were said to be in this category with the ordinary up 11 more at 354p and the "A" up 11 at 365p.

Hosiery supplier **Glamar** soared 39 to 124p after appointing Mr Stephen Barker, the former head of food distributor Albert *Fisher*, chairman and chief executive, and announcing a £2.65m rights issue. The cash call will leave Barker in control of 29.9 per cent of Glamar.

The overall trend in the electronics was lower with the market although there were exceptions in Amstrad, up a further 4½ to 178½p as short selling was squeezed ahead of next week's interim figures.

The Racal twins weakened in tandem with the Electronics company 7 lower at 346p on 3.4m and Racal Telecom 12 lower at 271p; the Racal Telecoms share price fell to a discount to the ADR quotation for the first time since its launch last year, dealers said, indicating the deep well of US buying interest in the issue had finally dried up.

The rise since the turn of the year in TACE gathered pace and the shares, around 155p early last month, surged forward to close 12 up at 213p. Marketmakers spoke of decent volume with one particular house an aggessive buyer of the stock.

Thomas Robinson continued to appeal and rose 9 further to 485p while Telfos, which sold its stake in Hicking Pentecost earlier this week, gained 5 more to 203p. News that Stewart Ivory had bought 8.43 per cent of the convertible preference stock, raised Beauford ordinary 5 to 210p. A flurry of late buying forced Laird up 11 further to 263p.

William Low were a feature among mixed Foods, climbing 5 against the trend to 274p on the news that New Zealand entrepreneur Mr Ron Brierley had increased his stake to 10 per cent.

Edible oil and fats manufacturer **Acatos & Hutcheson** maintained Wednesday's good form — the shares are up 14 per cent in just two days — to close 7 firmer at 217p on talk of a management buy-out. Mr Carl Short of Kitcat & Aitken thinks a buy-out unlikely just now, but regards the stock as attractive due to its recent underperformance.

Trusthouse Forte were actively sought, climbing 9 to 291p on impressive turnover of 14m. The shares, which have lagged behind the market of late, go ex-dividend next week and there was some strong new Account buying reported by dealers.

Allied Lyons had an interesting day, the shares initially falling 7 points on a story that the company was ready to buy Mr Alan Bond's 10 per cent stake. The speculation was sparked by news of a £150m debenture issue, which some thought might be put towards buying out Bond. However, the company does not have permission to acquire its own stock and Allied shares rallied to close 4 easier at 479p.

The false hopes that Allied *would buy out Bond lifted Lonrho* sharply higher; dealers thought that Bond might use the money from the sale to his 21.5 per cent holding in Lonrho. By the close Lonrho had settled at 357p, up 6 on the day.

A strong recommendation from Hoare Govett drew attention to **AAH Holdings**. The research team at the securities house believes the potential of Meditel, AAH's new healthcare venture, is largely unrecognised. Coupled with scope for a recovery in pharmaceutical wholesaling, the group should experience an acceleration in earnings growth in the early 1990s. "With such a prospect in hand, the shares look distinctly undervalued", they say. AAH closed 28 higher at 377p.

BET defied the general trend, rising 268p on the proposals to issue $500m of preference stock in the US, the first $150m tranche of which will be used to refinance existing US debt. The remainder will enable the group to fund expansion and embark on a buy-in programme, approval for which is being sought from shareholders.

Eurocopy responded to the £14.2m purchase from Sketchley, to be financed by the issue of 9m new shares at 100p each, rising 5½ to 113p. **Havelock Europa** bounced back 11 to 188p, regaining most of the fall which followed Wednesday's resignation of the managing director.

Rank Organisation showed little sign of faltering, although talk of an impending acquisition gave way to speculation that the group was being stalked by an overseas predator. The shares rose 12 more to 902p. **Chamberlain & Phipps** shot 43 higher to 197p on the share exchange offer from Evode.

Brent Walker shares opened on a relatively sedate note but suddenly ran into to a sustaibned bout of selling pressure, partly caused, dealers said, by comment on the purchase of a 10.8 per cent stake in TV-am' at the close Brent Walker shares were down 12 at 343p.

Front-runners of the recent advance in Paper/Printings were beset by profit-taking, **Reed International** falling 11 to 449p and **United Newspapers** retreating 14 to 449p. Speculation of a transatlantic bid aroused support of St. Ives, up 13 at 243p.

Properties were mostly lower with the market, although Greycoat managed to rise 6 to 484p amid predictions of an imminent large West End disposal

Courtaulds ran back late, closing 9½ down at 304½p, as rumours swirled of securities house Hoare Govett having reduced its forecast of next year's profits from £215m to £200m.

Trusthouse Forte and British Petroleum enlivened dealings in traded options. Trusthouse Forte, which goes ex-dividend on Monday, attracted 5,174 call contracts and 265 puts. BP, which was particularly heavily traded late in the day, found calls of 2,616 and puts of 2,223. Overall business came to 44,037, including 32,573 calls.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,600	151	-4	Commercial Union	2,300	398½	+½	Land Securities	730	589	-11	[illegible]	930	517	+1
Allied-Lyons	6,300	479	-4	Cons. Gold Fields	1,100	1454	+12	Laporte	415	424	-10	Royal Bk. Scotland	291	411	-5
Amstrad	5,900	178½	+4½	Cookson	1,400	338	-4	Legal & General	1,808	335	-7	Royal Insurance	2,070	434	-9
Argyll Group	2,800	193	-5	Courtaulds	1,530	304½	-9½	Lloyds Bank	2,900	376	-11	STC	763	339	-5
Ass. Brit. Foods	337	356	+1	Dalgety	1,300	365	+8	LASMO	4,700	494	-4	Saatchi & Saatchi	2,350	412	-9
BAA	1,100	376½	-2½	Dixons	10,950	161	-2	Lonrho	8,800	357	+6	Sainsbury	3,530	235½	+½
BAT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beazer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Arrow	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	2,850	268	+2	GUS A	410	1136	-22	Pilkington	4,650	253½	+3½	Tate & Lyle	1,540	[illegible]	-5
British Airways	5,390	280	-1	GRE	2,400	214	+½	Plessey	9,300	247	-1	Tesco	1,530	157½	-2½
Brit. Aerospace	2,200	534	-6	GKN	1,400	356	-3	Polly Peck	2,808	336	+8	THORN EMI	3,330	712	-4
Brit. & Comm.	1,980	239	-2	Guinness	1,600	372	-5	Prudential	8,692	173	-5	Trafalgar House	953	336	-9
British Gas	6,780	182½	-2	Hammerson 'A'	211	817	-10	Racal	3,400	346	-7	Trusthouse Forte	13,995	291	+9
British Land	712	367	-7	Hanson	12,000	184½	+1	Rank Org.	1,200	902	+12	Ultramar	1,960	305	-7
BP	5,200	274½	-½	Harrisons & Cros.	159	734		RMC	315	614	+5	Unilever	1,500	543	-4
British Steel	20,000	78¼	-½	Hawker Siddeley	1,100	642		RHM	332	396	-3½	United Biscuits	2,080	330½	-1½
British Telecom	4,500	278	-3	Hillsdown Hldgs	2,300	288	-3	Reckitt & Colman	229	1075	-9	Utd. Newspapers	822	449	-14
Burmah Oil	876	543	-5	IMI	564	227½	-7½	Redland	486	581	-1	Wellcome	3,909	487	-22
Burton	6,300	215	-5	Imp. Chem.	1,734	1221	-6	Reed International	1,800	449	-11	Whitbread 'A'	1,220	354	
Cable & Wireless	3,400	454	-6	Inchcape	1,565	225	+4	Reuters 'B'	586	611	-16	Williams Hldgs	462	235	+2
Cadbury Schweppes	1,200	365	-4	Jaguar	1,300	324½	-2½	RTZ	2,900	524	-1	Wimpey	5,100	301	+6
Coats Viyella	3,000	159	-5	Ladbroke	1,980	538	+8	Rolls Royce	3,200	160½	-1½	Woolworth Hldgs	2,530	291	+4

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (178).

BRITISH FUNDS (4) Treas. 5½pc 2008-12, Do. 7¾pc 2012-15, Conv. 3½pc '61 Aft., Treas. 3pc '66 Aft., **AMERICANS** (1) Bethlehem Steel, **BANKS** (1) Rothschild (J.), **BREWERS** (1) Burtonwood Brew., **BUILDINGS** (12) **STORES** (3) Aquascutum, Do. "A", Austin Reed, **ELECTRICALS** (12) **ENGINEERING** (9) **FOODS** (6) Appleby Westward, Clifford Foods, Clifford "A" N-V, Food Inds., Low (Wm.), **HOTELS** (1) **INDUSTRIALS** (37) AAH, AGA AB, AMI Health, ASD, Allied Part., Avis Europe, BBA 6.7pc Cm. Pf., BSS Grp., Bodycote Intl., Bowater Inds., Brammer, Brown & Tawse, Burndene, Chamberlain & Phipps, Chieftain, Cornwell Parker "A", Dauphin, EIS, Fenner (J. H.), Grafton, Grampian Hldgs., Halma, Hutch Whmpoa, Integ. Hlth. Care, Morgan Crucible, Nestor-BNA, Pilkington, Portmeirion Pots., Rank Org., Scapa, Scott Robertson, Securicor Grp., Serco, Sthn. Business, Swallowfield, Swire Pac. "A", Wyko, **INSURANCE** (2) Sabire Ins. Invs., Sedgwick, **LEISURE** (5) European Leis., Fairline Boats, HTV Ord., Radio Clyde, Saga Grp., **MOTORS** (4) Plaxton, Airflow Streamlines, Central Motor Auctions, Western Motor, **NEWSPAPERS** (3) Adscene, Blenheim Exhibits, Bristol Eve. Post, Musterline, **PAPERS** (3) FKB, Norton Opax, Watmoughs, **PROPERTY** (8) **SHIPPING** (3) Clarkson (Horace), Graig Shipping, Tiphook, Turnbull Scott, **SOUTH AFRICANS** (1) Barlow Rand, **TEXTILES** (1) Toray, **TRUSTS** (46) **OILS** (3) Barrack Energy, NZ Oil & Gas, Jebsens Drilling, **OVERSEAS TRADERS** (3) Polly Peck Intl., Do. 9pc Ln., Sime Darby, **PLANTATIONS** (2) Harrisons Mly. Pl., Williamson, **MINES** (4).

NEW LOWS (13).

STORES (1) Field (Mrs) Inc., **ELECTRICALS** (2) Cray El'tronic, Alphameric, **INDUSTRIALS** (2) Sharp & Law. Do. 8½pc Cv. Pf., **TEXTILES** (2) Haggas (John), Smallshaw (R.), **TRUSTS** (1) Nat. Home Loans, **MINES** (5) Durban Deep, Elsburg, Western Areas, Joel (H.J.) Gold, Brunswick.

APPOINTMENTS

Changes at C.I. Group

■ C.I. GROUP has made the following changes. Mr Graham Davies, managing director of J. & F. Pool, becomes managing director of Bipel in succession to Mr Albert Hargreaves, recently appointed group chairman. Mr Granville Godbert has been appointed managing director of Bromford Iron & Steel Co., in succession to Mr Rob Yates, who becomes executive chairman; Mr Andrew Johnson is made finance director - he was with Moores & Rowland, the group's auditors. Mr David Taylor, formerly managing director of Cooper Lench (Precision Engineering), which has recently been sold, becomes commercial director of Redman Modular Systems. Mr Richard Lench, formerly a director of Cooper Lench, has been appointed managing director of Superb Tool & Guage Co. Mr Graham Morris has been appointed production director of Clews Bros. Mr Duncan Underhill has been made production director of J. & F. Pool.

■ Dr Mike Cunnell and Mr Caspar Weston have been appointed to the board of SUMIT EQUITY VENTURES.

■ Yule Catto has appointed Dr John Key as chief executive of REABROOK. He was managing director of BP subsidiary Young's Paraffin Light & Mineral Oil Co.

■ CARBO has appointed Mr Martin R. Sanderson, finance director of the group's UK operation, as group financial controller. Mr David Roughley, general manager resins, Carborundum Abrasives, becomes managing director of the group's injection moulded plastics subsidiary, Colwyn Plastics.

■ BALFOUR KILPATRICK has appointed Mr R. Alan Jones as managing director. Mr Alan R. Cussen, Mr John Dunwoodie, Mr Jack L. Judge, Mr Robert Lundy, Mr Richard R. McCulloch and Mr Brian G. Williams all become directors. Mr Ian Carroll, managing director of Balfour Beatty Power, continues as chairman. Mr W. John Muirhead, of BB Power, also joins the board. A new company has been formed - BK Cables - with Mr David Colledge and Mr David F. Lawler as directors, joined by Mr Carroll, Mr Jones and Mr McCulloch.

Balfour Beatty has appointed Mr Ron Cox, formerly director and general manager of Clarke Homes division, as executive director of Balfour Beatty Homes. He takes over from Mr David Cawthra, group managing director, who continues as chairman of Balfour Beatty Homes. Mr Mike Diffin becomes director and general manager of Balfour Beatty Homes division, and joins the board. Mr Ray Hill has been appointed director and general manager of Clarke Homes division, and joins the board of Balfour Beatty Homes. Mr Jan O'Connor has been appointed finance director; Mr Richard Staniland becomes director of legal services; and Mr Don Walker, director and personnel manager. Mr Alex Barras, southern regional manager, also joins the board of Balfour Beatty Homes division.

The companies are part of the BICC Group.

■ Mr Robin Johnson has been appointed chief accountant for THE UK GROUP, which includes UK Life Assurance and UK Unit Trust Managers. He was with the Willis Faber Group.

■ From May Mr David Corcoran is to be GUARDIAN ROYAL EXCHANGE's life assistant general manager. He was manager of the life department.

■ ITL INFORMATION TECHNOLOGY has appointed Mr Michael J. O'Riordan as group managing director. He joins from Unisys, where he was UK marketing director.

■ Mr Martin Palmer has been appointed sales and marketing director of WADLOW GROSVENOR INTERNATIONAL. Mr Rodney Prior has been appointed financial director.

■ APEILS GROUP, shopfitters, has appointed five associate directors: Mr Trevor Jones, Mr Mike Coe, Ms Marj Cude, Mr Terry Freeman and Mr Peter Price-Francis.

■ RAM BATHROOMS has appointed Mr Peter Leaman as sales and marketing director. He was sales and marketing director of Laconite.

■ MITSUBISHI FINANCE INTERNATIONAL has appointed Dr Brendan Brown as director, head of research. He was director and chief international economist, debt securities, County NatWest.

■ WORCESTER PARSONS has appointed Mr Mark Dicken as director and general manager of subsidiary Brass Artcraft (B'ham).

Mr Martyn R. Field (*above*) has been appointed managing director of NEL PERMANENT HEALTH INSURANCES, part of the NEL Britannia Group. He remains appointed actuary of the group.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	46.46	46.85xd	49.83	-0.15	5.50
Gilts & Fixed Int	6	115.50	115.50	122.60	-0.17	8.36
High Inc Equity	6	129.70	131.00	140.10	-0.3	4.25
Worldwide Bond	6	185.5	185.5xd	196.7	-0.6	4.93
Capital Growth						
American Growth	6	158.30	160.10	170.3	-0.5	1.29
Asian Pacific	6	80.22	81.44	87.10	-1.4	1.24
Assets & Earnings	6	152.62	156.40	166.30	-0.6	2.38
Capital Reserve Acc	0	83.18	83.13	83.30	-0.04	4.80
Commty & Energy	6	96.84	96.84	103.60	-0.7	0.00
1992 Enterprise	6	53.36	54.39	57.86	-0.03	3.11
European Capital	6	76.93	77.52	82.46	-0.13	0.91
General	6	169.60	172.60xd	183.60	-0.7	2.45
Japan	6	105.1	106.3	113.6	-0.1	0.00
Mastertrust	6	79.09	79.09	84.59	-0.05	1.74
UK Growth Acc	6	192.6	200.7	213.5	-0.1	1.60
UK Growth Dist	6	125.4	134.5	143.0		2.33
US Emerging Cos	6	47.68	49.20	52.33	-0.08	0.00
Income & Growth	6	285.1	291.4	309.90	-2.1	3.07
Ethical	6	47.37	48.37	51.67	-0.04	2.42

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1CJ 0224 633070

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	43.56	43.56xd	46.34	-0.27	1.81
Australian	5¼	24.00	24.00	25.53	+0.11	1.18
European	5¼	52.26	52.25	55.59	-0.43	0.00
Extra Income	5	42.41	42.41	45.02	-0.01	4.92
Fund Inv Tst	5	117.3	117.3	124.6	+0.00	2.42
Do Accum	5	178.7	178.7	189.9	-0.10	2.42
Gilt & Fixed Int	5¼	21.96	21.96	23.36	+0.01	10.09
Global Income	5¼	38.56	38.56	41.02	-0.10	4.50
Income & Growth	5¼	72.12	72.12xd	76.72	-0.16	3.81
Japan	5¼	175.5	175.5	186.7	-1.70	0.01
Nth Amer Inc (z)	5	26.78	26.78	28.42	-0.14	3.89
Special Situations	5¼	70.12	70.12	74.60	-0.43	1.02
UK Growth	5	36.07	36.07	38.29	-0.02	2.52
World Gwth	5	44.78	44.78	47.53	-0.13	0.48
Formerly Sentinel Funds Management Ltd						
American Mast'rs	5¼	60.92	60.92xd	65.03	-0.63	1.82
Amer Tech & Gen	5¼	102.6	102.6	109.6	-0.90	0.00
European Growth	5¼	36.22	36.22	38.66	+0.25	0.00
European Income	5¼	51.52	51.52	55.00	+0.00	1.93
European Spec Sits	5¼	21.47	21.47	22.92	+0.07	0.00
Exempt	1	776.7	776.7	812.3	+1.80	3.14
F East Emerg Ecos	5¼	34.50	34.50	36.94	-0.08	0.00
Intl Growth	5¼	46.76	46.76xd	49.92	-0.12	0.00
Intl Income	5¼	60.32	60.32	64.39	+0.19	5.01
Jap Tech & Gen	5¼	143.3	143.3	152.9	-1.40	0.00
Pacific	5¼	302.0	302.0	323.4	+1.50	0.15
Secure Income	5	197.0	197.0	210.3	-0.20	3.76
Small Co's	5¼	58.78	58.78	62.75	+0.09	1.54
Special Sits	5	258.1	258.1	275.5	-0.70	1.60
UK General	5¼	38.07	38.07	40.64	-0.09	1.30
UK Top 100 Idx'd	5¼	25.23	25.23	26.93	-0.17	2.17

Acorn Unit Trust Managers Ltd (1100)
1 White Hart Yd, London Bridge SE1 1NX 01-407 5966

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Ethical Tst	5	96.16	96.16	100.9	+0.1	–

Aegis Unit Tst Mngmt Ltd (1400)F
94 Whiteladies Rd, Bristol, BS8 2QX 0272 237593

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CAMco Intl Recovery	5	50.97	52.31	55.07	-0.04	1.50
Clifton Prem Port	6	47.85	48.63	51.74	+0.25	1.50
Global Secur Pf'olio ♦	6	49.10	49.91	53.10	+0.11	4.00
UPS Income & Gwth ♦	6	48.91	49.63	52.80	+0.31	7.00
St Nicholas St Gth Inc	5	47.05	47.69xd	51.01	+0.17	4.58
St Nicholas St Gth Acc	5	48.22	48.87	52.27	-0.14	4.58
Blackstone Franks Dh	5	46.65	47.99	51.05	-0.15	2.50
Blackstone Franks Int	5	49.54	50.43	53.65	-0.31	2.50

AEtna Unit Trusts Ltd (1600)F
AEtna House, 2-12 Pentonville Road, London, N1 9XG
Broker Dlng 0800 010 969 Public Dlng 0800 181766

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Growth	5	118.6	118.6	127.4	+0.0	0.95
Exempt	2	446.4	446.4xd	468.5	+0.7	4.10
(Accum Units)	2	1127	1127	1183	+2.0	4.10
Far Eastern	5	245.4	245.4	263.3	+0.8	0.00
(Accum Units)	5	265.3	265.3	284.6	+0.8	0.00
Fin & Property	5	82.00	85.17xd	90.23	-0.2	2.36

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Grs
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD. 01-405 8331						
Convtbl & Equity	5	62.69	65.16	69.32	—	5.90
European	5	57.05	57.63xd	62.31	+0.26	0.44
Far Eastern	5	35.05	35.05	38.33	−0.15	1.71
Growth	5	88.68	92.26	98.15	−0.28	0.68
Income	5	82.91	84.32xd	89.91	—	5.75
Property Share	5	54.32	55.32	58.89	+0.67	2.29
Smaller Co's	5	58.72	62.03	65.99	−0.07	1.65
Formerly BSC Trust Managers Ltd						
Windsor Sel Feb Acc ♦	5	62.12	62.12	66.44	+0.2	1.91
Windsor Select Inc ♦	5	68.27	68.27	73.02	+0.21	3.43
Windsor Sel Inc Acc ♦	5	73.27	73.27	78.36	+0.21	3.43
Windsor Nth Amer ♦	5	51.58	51.58	55.37	−0.34	1.85
Windsor Intl ♦	5	41.51	41.51	44.39	−0.22	1.48
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0692						
Growth	5	94.93	94.95	98.93	—	5.81
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	60.35	62.46	66.90	+0.45	3.13
YUTM Eq Inc Tst	5¼	59.80	61.64	65.57	+0.26	4.55
YUTM Intl Gwth Tst	5¼	46.77	46.77	49.89	+0.10	0.10

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd				
Int'l Expt Feb 1	429.0	446.1	—	—
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Jan 31	492.45		—	4.71
Fxd Int Sec Jan 31	143.75		—	9.46
Deposit Jan 31	100.00		—	12.45
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Jan 31	469.11		—	4.97
Accum Jan 31	1500.47		—	
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American Feb 8	123.1	126.5	+2.6	1.78
Managed Feb 8	122.5	127.1	+1.8	2.33
Japan Feb 9	134.6	140.4	+3.8	0.16
Pacific Feb 10	400.8	411.8	+10.6	0.21
Sm Jap Cos Feb 10	268.3	275.7	−1.9	0.10

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INSURANCES

	Bid Price	Offer Price	+ or −	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	254.5	267.9	+0.1	—
Equity Acc	817.7	860.8	+0.2	—
Property Acc	479.1	504.4	+0.1	—
Far East Acc	195.2	205.5	+0.3	—
European Acc	20.2	21.3	—	—
Managed Acc	646.2	680.3	+0.4	—
Managed Cap	368.5	387.9	+0.2	—
O'seas Earnings Acc	548.4	577.3	+0.8	—
Gilt Edged Acc	317.2	333.9	+1.5	—
American Equity Acc	397.8	418.8	−2.9	—
American Man Acc	185.7	195.5	−1.1	—
American Prop Acc	134.5	141.6	−0.4	—
Pen.F.I.Dep.Cap	279.7	294.5	+0.1	—
Pen.F.I.Dep.Acc	473.5	498.5	+0.2	—
Pen. Prop. Cap	561.2	590.8	−0.1	—
Pen. Prop. Acc	1049.0	1104.3	—	—
Pen. Man. Cap	796.0	837.9	+1.7	—
Pen. Man. Acc	1487.2	1565.5	+3.1	—
Pen.Gilt Edg. Cap	316.2	332.9	+1.5	—
Pen. Gilt Edg. Acc	482.8	508.3	+2.4	—
Pen. Eq. Cap	1306.4	1374.2	−3.6	—
Pen. Eq. Acc	1848.7	1946.0	−4.8	—
Pen. Am. Eq Cap	127.3	134.0	−1.5	—
Pen. Am. Eq Acc	151.8	159.8	−1.9	—
Pen. Far East Cap	233.0	245.3	+0.5	—
Pen. Far East Acc	278.2	292.9	+0.7	—
Pen. Euro Cap	22.8	24.1	—	—
Pen. Euro. Acc	24.6	25.9	+0.1	—
Pen. B.S. Acc	515.6	541.4	+0.2	—
Pen. B.S. Cap	313.1	328.8	+0.1	—
Pen. D.A.F. Acc	362.1	362.1	+0.2	—
Pen. D.A.F. Cap	246.8	246.8	+0.1	—
Pen. Mortgage Cap	139.8	147.2	+0.1	—
Pen. Mortgage Acc	166.8	175.6	—	—
Hamb Funds				
Pen Eqt Cap	27.2	28.7	—	—
Pen Eqt Acc	28.0	29.5	−0.1	—
Pen Am Eq Cap	28.4	29.9	−0.2	—
Pen Am Eq Acc	29.2	30.8	−0.2	—
Pen Far East Cap	28.9	30.5	—	—
Pen Far East Acc	29.7	31.3	−0.1	—
Pen Euro Cap	30.8	32.5	+0.1	—
Pen Euro Acc	31.7	33.4	—	—
James Capel Funds				
Pen Eqt Cap	28.3	29.8	+0.4	—
Pen Eqt Acc	29.1	30.7	+0.5	—
Pen Am Eq Cap	28.6	30.2	+0.1	—
Pen Am Eq Acc	29.4	31.0	—	—
Pen Far East Cap	28.5	30.1	—	—
Pen Far East Acc	29.4	31.0	—	—
Pen Euro Cap	27.8	29.3	+0.1	—
Pen Euro Acc	28.5	30.1	+0.1	—

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LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
101	98	Treas 9½pc Cnv 1989	99	-	9.55	12.17
98¼	95	Treas 3pc 1989	98¼	.....	3.05	9.69
102	98	Treas 10½pc 1989	99	.....	10.57	12.35
102	98	Exch. 10pc 1989	99	.....	10.10	12.30
103	98	Exch 11pc 1989	99	.....	11.08	12.11
97	94¼	Treas 5pc 1986-89	96¼	.....	5.17	10.02
104	98⅝	Exch 10¼pcCv '89	99½	.....	10.31	11.08
107½	101¼	Treas 13pc 1990‡‡	101	-	11.80	11.16
104½	99	Exch 11pc 1990‡‡	99¾xd	-	11.01	11.14
107	100¼	Exch. 12½pc 1990	101	-	12.34	11.23
93¾	90	Treas. 3pc 1990	92	-	3.23	9.34
99⅝	95	Treas 8¼pc 1987-90‡‡	96¼	.....	8.52	10.88
102½	95¾	Treas. 8pc Cv 1990 ‡‡	98¼	.....	8.10	9.02
103	97¼	Treas. 10pcCv 1990	98	+	10.14	10.86
91	87½	Exch 2½pc 1990	89¾	-	2.79	8.84
107¼	100	Treas 11¾pc 1991	101	.....	11.56	10.76
95	89	Funding 5¾pc '87-91‡‡	91	-	6.28	10.08
90	86	Treas. 3pc 1991	88¼	.....	3.39	8.74
105	97	Treas 10pc Cv '92 ‡‡	100¼	-	9.97	9.899
107	98	Exch. 11pc 1991	101	-	10.88	10.52
98	91	Treas. 8pc 1991	94⅛	.....	8.50	10.45
113	103	Treas 12¾pc 1992‡‡	106⅛	-	11.99	10.21
104	96⅝	Treas 10pc 1992	99xd	-	10.06	10.23
98	91¼	Treas. 8pc 1992 ‡‡	93	-	8.51	10.26
106⅛	98	Treas 10½pc Cv 1992‡‡	100¼	.....	10.43	10.24
86	81	Treas. 3pc 1992	85	+	3.53	8.26
112	102	Exch. 12¼pc '92	105xd	-	11.59	10.29
117	106	Exch 13½pc 1992	109	-	12.32	10.24
97	91	Treas 8¼pc 1993	94xd	-	8.77	10.09
105	96	Treas 10pc 1993‡‡	100	-	9.99	9.97
115	105	Treas 12½pc 1993‡‡	108	-	11.51	10.04
93	85¼	Funding 6pc 1993‡‡	87¼xd	.....	6.84	9.33
121	110	Treas 13¾pc 1993‡‡	113	-	12.10	10.07
101	90	Treas. 8¼pc 1994	94	-	9.02	9.99

Five to Fifteen Years

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
125⅝	113	Treas 14½pc 1994‡‡	117⅝xd	-	12.32	9.96
120	109	Exch 13½pc 1994	113	-	11.89	10.08
105	96	Treas. 10pc Ln 1994‡‡	100½	-	9.95	9.87
116	106	Exch. 12½pc 1994	110¼xd	-	11.34	10.06
101	92	Treas 9pc 1994‡‡	96	-	9.33	9.81
114	104	Treas 12pc 1995	108	-	11.05	10.04
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98	90	Treas 8¾pc 1997‡‡	95	-	9.18	9.56
134	123	Exch 15pc 1997	128½	.....	11.67	10.01
104	95	Exch. 9¾pc 1998	100½	+	9.70	9.67
87	80	Treas 6¾pc 1995-98‡‡	84¾	+	7.97	9.25
140¼	129	Treas. 15½pc '98‡‡	134	.....	11.55	9.90
118	108	Exch. 12pc 1998	113	-	10.55	9.77
103	95¼	Treas 9½pc 1999‡‡	100	-	9.45	9.41
120	110	Exch. 12¼pc 1999	115	-	10.59	9.76
109	100	Treas. 10½pc 1999	105	-	9.96	9.65
107	99	Conversion 10¼pc 1999	104	-	9.86	9.64
100¼	86	Treas. 8½pc Ln 2000‡‡	94	-	9.05	9.38
99	92	Conversion 9pc 2000‡‡	97¼xd	-	9.26	9.41
126	116¼	Treas. 13pc 2000	122	-	10.65	9.76
106	98	Treas 10pc 2001	103½xd	-	9.66	9.50
129	119	Treas. 14pc '98-01	124	-	11.27	9.94
104	97	Conversion 9¾pc 2001	102	-	9.56	9.47
118	108	Exch. 12pc '99-02	113¾	-	10.55	9.80
107¼	99	Conversion 10pc 2002	104	-	9.58	9.40
105	97	Treas 9¾pc 2002	102xd	-	9.49	9.38
99	92	Exch. 9pc 2002	97¾	-	9.23	9.31
131	121	Treas. 13¾pc 2000-03	126¼	-	10.85	9.81
108	100¼	Treas 10pc 2003	105xd	-	9.48	9.29

Over Fifteen Years

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
117	108¼	Treas. 11½pc 2001-04	113¼	-	10.15	9.61
108¼	100	Treas. 10pc 2004	106¼	-	9.40	9.21
61	54	Funding 3½pc '99-04	59¾	-	5.85	8.11
104	97	Conversion 9½pc 2004	102	-	9.26	9.18
104	97	Conversion 9½pc 2005	102	-	9.23	9.15
113¼	105	Exch. 10½pc 2005	111½	-	9.42	9.14
128	118	Treas. 12½pc 2003-05	124	-	10.01	9.35
92	85	Treas. 8pc 2002-06‡‡	90½	-	8.83	9.08
106	99	Conversion 9¾pc 2006	105	-	9.23	9.10
121	112	Treas. 11¾pc 2003-07	118½	-	9.920	9.34
97	89	Treas 8½pc 2007 ‡‡	95	-	8.87	8.96
137	127	Treas. 13½pc '04-08	134	-	10.04	9.22
101	94	Treas. 9pc 2008 ‡‡	100¾	-	8.93	8.91
92	85	Treas 8pc 2009	91	-	8.70	8.86
101	93¾	Conv 9pc Ln 2011 ‡‡	101	-	8.85	8.82
68	62¾	Treas. 5½pc 2008-12‡‡	68⅝xd	-	8.02	8.63
89	82	Treas. 7¾pc 2012-15‡‡	89	+	8.66	8.78
131¾	121	Exch. 12pc '13-'17	131	.....	9.12	8.84

BRITISH FUNDS—Contd

Undated

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45	41	Consols 4pc	45	.....	8.89	-
40	37	War Loan 3½pc‡‡	40¼	+	8.70	-
66½	48	Conv. 3½pc '61 Aft	66½	+½	5.26	-
34½	30	Treas. 3pc '66 Aft	34½	+½	8.70	-
28¾	26⅛	Consols 2½pc	28¾	+	8.81	-
29	26⅛	Treas. 2½pc	28¾	+	8.81	-

Index-Linked

1988/89 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
125	117½	Treas 2pc IL '90(84.6)	125	-⅛	0.39	3.04
105	99	Do. 2pc '92‡‡(97.8)	105⅛	-⅛	2.65	3.40
97	92½	Do. 2 '94 (102.9)	97¼	-	3.00	3.49
142	127¾	Do. 2pc '96(67.9)	142½xd	-	3.20	3.54
122	103¾	Do 2½pc '01(78.3)	122¼	-	3.34	3.58
120	101⅝	Do. 2½pc '03(78.8)	119¾	-	3.39	3.60
122⅝	102½	Do. 2pc '06(69.5)	122⅝	.....	3.45	3.62
115	95	Do. 2½pc '09(78.8)	114	-	3.44	3.60
120⅛	99	Do. 2½pc '11(74.6)	119xd	-	3.44	3.59
100	82	Do. 2½pc '13(89.2)	99¾xd	-	3.41	3.55
108¼	88	Do. 2½pc '16(81.6)	107	-⅛	3.39	3.53
105	87⅛	Do. 2½pc '20(83.0)	105	.....	3.35	3.47
89	73	Do. 2½pc '24‡‡(97.7)	89	-⅛	3.32	3.43

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1988:106.2 and for December 1988:110.3

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
109	100	African Dev Bk 11¼Ln 2010	108	-⅛	10.24	10.12
104	96	Asian Dev Bk 10¼pcLn2009	104	-⅛	9.81	9.74
130¼	120	Australia 13½pc 2010	130½xd	-	10.38	10.06
113	103¾	Do. 11½pcLn2015	113	-	10.04	9.941
110	103¼	Euro Inv Bk 11pc Ln 2002	108	-	10.16	9.88
105	98	Do. 10⅜pc2004	104¼	-	9.95	9.83
120¼	112	Int-Am Dev Bk 12½pc 2003	118¼	-	10.57	10.03
99¾	91	Do. 9¾pcLn 2015	99⅝	-	9.79	9.79
96¾	86	Mlysia 10¼pcLn 2009	96¼xd	.....	11.11	11.16
[illegible]						

CORPORATION LOANS

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]						
31	25	Do. 3pc '20 Aft	30xd	.....	10.00	-
112	100	Manchester 11½pc 2007	106½	.....	11.00	10.90

COMMONWEALTH & AFRICAN LOANS

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
93½	86½	NZ 7¼pc 1988-92	89½	.....	8.10	10.20
207	197	S Rhod 2½pc Non-Asstd.	206	.....	-	-
84½	71½	Do. 4½pc 87-92 Asstd.	84½xd	.....	5.33	9.33

LOANS

Building Societies

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100	98	N'wide Anglia 9pc 20.2.89	99	.....	9.95	13.03
100	98	Do. 9pc 13.3.89	99⅝	.....	9.72	13.01
100	97¾	Do. 9pc 17.4.89	99½	.....	9.27	13.25
100¼	97¾	Do. 9½pc 8.5.89	99	.....	9.60	13.27
100	97	Do. 8pc 30.5.89	98⅝	.....	9.06	13.26
100	93½	Do. 9pc 26.6.89	98¾	.....	9.94	13.01
100	98	Do. 10pc 17.7.89	99xd	.....	10.79	12.96
100	94½	Do. 11pc 7.8.89	99¼xd	.....	11.16	12.97
100	98	Do. 11pc 29.8.89	99	.....	11.64	12.90
100	99	Do. 12¼pc 18.9.89	99	.....	12.41	12.80
100	98	Do. 12pc 2.10.89	99⅝	.....	12.99	12.79
100	98	Do. 11pc 6.11.89	99¼	.....	11.90	12.73
100½	99	Do. 12pc 4.12.89	99½	.....	12.36	12.69
100	99⅝	Do. 12pc 2.1.90	100	.....	12.80	12.69
102¼	87⅜	Do. 3¾pcIL Ln 2021	101¾xd	.....	4.29	4.37

Public Board and Ind.

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
97	90	Agric. Mt. 5pc '59-89	97	.....	5.15	3.26
48½	40	Met. Wtr. 3pc 'B'	45xd	.....	6.67	10.45

Financial

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
105	99	3i 11¾pc Un Ln '90	99¾xd	.....	11.78	11.96
95½	86¼	Do 7¾pcADb89-92	89¼	.....	8.12	10.73
110	101⅝	Do. 12½pc Un. Ln. 1992	103	.....	12.03	10.98
93½	82⅞	Do. 7¼pc A 1991-94	86⅝	.....	8.37	10.45
101¼	90¼	Do. 9pc A 1991-94	97½	.....	9.80	9.70
100	88¼	Do. 8¾pc Ln 1992-97	91¾xd	.....	9.73	10.49

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

1988/89 High	Low	Stock	Price	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							
15	8	Amdahl 5c	11¼xd	.....	h10c	-	0.5
31½	22	Amer. Cyanamid $5	28⅞	-	$1.20	-	2.3
18¼	11⅛	Amer. Express 60c	17xd	-	84c	-	2.6
10⅝	668p	Amer. Medical Int. $1	991p	.....	♦72c	-	4.0
18½	13¾	American T. & T. $1	18	-	$1.20	-	3.6
30	22	Ameritech $1	29¾xd	-	h$2.92	-	5.5
19¾	15¾	Anheuser-Busch $1	19¼xd	-⅛	72c	-	2.0
12⅛	3⅝	BankAmerica $1	12⅛	.....	-	-	-
24¾	16	Bankers N.Y. $1	22	-⅜	$1.86	-	4.6
43½	34¼	Bell Atlantic $1	42⅝	-½	$4.08	-	5.3
25¾	19⅞	BellSouth Corp.	24¼	-½	$2.36	-	5.4
15¾	850p	♦Bethlehem Steel $8.	15¾xd	+⅛	-	-	-
13¼	801p	♦Bio-Rad Labs. A	997p	-3	-	-	-
23⅜	14	Bowater Inc.	16¼	-¼	$1.12	-	3.8
17¼	11⅛	Browning-Ferris 16.6c.	17¼xd	.....	56c	-	1.8
13¼	787p	Brunswick 75c	10⅝xd	-⅛	44c	-	2.3
33¼	21⅝	CPC Intnl. 25c	30	-⅜	$1.44	-	2.7
19¾	13¼	CSX $1	19	-¼	$1.24	-	3.6
14¼	134p	California Engy	14	-¼	-	-	-
16¼	11¼	CalFed Inc $1	14¼	-1⅜	$1.40	-	5.4
20¼	12½	Campbell Soup 15c	17	-⅛	84c	-	2.6
39⅜	31⅛	Caterpillar Inc $1	35¼	-⅜	$1.20	-	1.9
18	11¼	Chase Manhattan $12½	18¼	-	$2.16	-	6.5
19¾	11¼	Chem. Banking Corpn	18⅞	.....	$2.72	-	8.0
16¼	11	Chrysler $6¼	16xd	.....	$1.00	-	3.4
16¼	9	Citicorp $1	15¼xd	-¼	$1.48	-	5.2
297p	167p	CityFed Fin. Corp.	228p	-2	4c	-	1.0
28¼	20⅜	Colgate-Palmolive $1	26¼xd	-	s$1.48	-	3.1
21½	13½	Cons Freightways 62½c.	20¾xd	-⅛	98c	-	2.7
14	536p	Cont'l Bank Corp $4	11⅝	.....	8c	-	0.4
14p	6¼p	Cont Illinois Hldgs $1	7p	.....	-	-	-
428p	117p	♦Corporate Data Scnce	370p	.....	-	-	-
510p	234p	Cullinet Sftwr 1c	335p	-10	-	-	-
22⅜	17⅜	Dana Corp. $1	22¼	-⅛	$1.60	-	3.9
15¼	963p	Data General	10¼	-¼	-	-	-
32¼	24½	Dun & Bradstreet $1	32¼	.....	$1.74	-	3.0
49⅞	27	Eaton Corpn. 50c	33xd	-	h$2.00	-	3.3
10	9	Echlin Inc	9	-	59c	-	3.3
18⅝	14⅞	FPL Group 1c	17xd	-	$2.20	-	6.8
32¼	20	Ford Motor $1	31⅞	-¼	$2.40	-	4.2
33⅞	20	GATX 62½c	32⅞xd	+⅛	$1.80	-	3.0
27¼	20⅝	Gen. Elect. 63c	27	-¼	$1.64	-	3.4
700p	425p	♦General Host Corp $1	534p	-12	28c	-	2.9
25	15¼	Gillette $1	20⅛	-¼	86c	-	2.3
803p	474p	Gt Am First Svgs Bk $1	712p	-6	60c	-	4.7
21¼	13⅝	Greyhound $1½	17⅝xd	-¼	$1.32	-	4.1
10	654p	Hasbro Inc 50c	948pxd	.....	12c	-	0.9
8¼	5¾	Home Group $1	6⅝xd	.....	20c	-	1.7
42	28	Honeywell $1½	36¼	-⅜	$2.10	-	3.2
28¼	15¼	Hospital Corp Am $1	27¼	+⅛	72c	-	1.5
19¼	14⅝	Houston Inds.‖	16⅛	-½	$2.96	-	10.2
75⅝	55¾	IBM Corpn $1¼	72xd	-1	$4.40	-	3.4
32	23⅝	ITT Corpn. $1	31⅝xd	-⅜	$1.48	-	2.6
105p	40p	♦Image Storage/R.Sys.1c	50p	-2	-	-	-
26⅝	17⅜	Ingersoll-Rand $2	21¼	-½	$1.04	-	2.6
27¼	18½	Lockheed Crpn. $1	26⅝	.....	$1.60	-	3.3
19¾	11½	Lone Star Inds $1	17¼	-⅛	$1.90	-	6.1
19¾	15¾	Louisiana Land 15c	19¼xd	-⅛	$1.00	-	2.9
13¼	860p	Lowe's 50c	13⅛	.....	48c	-	2.0
19¼	10¼	Manuf. Hanover $1	19¼	.....	$3.28	-	9.4
17	11	Merrill Lynch $1	17	.....	$1.00	-	3.1
2437p	1137p	Molex Inc	2209p	-22	3.2c	-	-
23¼	26½	Morgan (JP) $2½	20xd	-⅛	$1.66	-	4.4
40¼	32⅝	NYNEX $1	40¼	.....	$4.04	-	5.6
20⅛	15	PHH Corp. ‖	18⅝	-⅛	$1.12	-	3.3
308p	99p	♦Pacific Agr.‖	235p	.....	-	-	-
21⅝	16⅞	Pacificorp $3¼	19¼	.....	$2.64	-	7.4
19	13¼	Pacific Telesis 10c	18⅞	.....	$1.76	-	5.2
18¼	13¼	Pall Corp. 25c	17	.....	48c	-	1.6
48	34½	Pennzoil 83 1/3c	47⅞xd	-⅛	$3.00	-	3.5
21¼	11⅞	Premark Intl	18½	+⅛	60c	-	1.8
34¼	21⅞	Quaker Oats $5	30¼	-⅜	$1.20	-	2.2
57½	23⅞	RJR Nabisco Inc	57	-⅛	♦$2.20	-	2.1
29	21	Rep NY Corpn $5	25⅝xd	-	$1.20	-	2.6
13⅛	9	Rockwell Intl. $1	12⅝	-⅛	72c	-	3.2
28	18⅛	Sara Lee $11/3	27xd	-	$1.44	-	2.9
25¼	18	Southwestern Bell $1	24⅞	-	$2.48	-	5.5
20	12	Sun Co. Inc. $1	19¼xd	-	$1.80	-	5.0
29	22¼	TRW Inc. 62½c	25xd	-¼	$1.72	-	3.7
16½	754p	TW Services $5	16	-¼	10c	-	0.3
29	21¼	Tenneco $5	28½xd	+⅛	$3.04	-	5.9
31	19	Texaco $6.25	28½xd	.....	♦$3.00	-	5.8
27⅛	19¼	Texas Instr. $1	24xd	-	72c	-	1.6
70	43¼	Time Inc. $1	63⅛xd	-½	$1.00	-	0.9
21½	15⅞	Transamerica $1	19¾xd	-¼	$1.88	-	5.3
20⅛	13½	TRINOVA Corp.	16⅛	-¼	64c	-	2.2

Continued on next page

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Trust Int'l Fd Mngt Ltd				
Sterling Fxd Int Cch	94.2	95.4xd	+1.3	8.38
International Secs Cch	$2.173	2.259xd	+3.6	0.62
International Bond Cch	$1.258	1.274xd	+0.1	5.88
Stronghold Investment Mngrs				
Stronghold Aus Cen Fd	48.55	49.28	—	-
Stronghold Recov. Fd	131.44	133.44	—	-
Stronghold Int Bond	-	-	—	-
Next dealing dates: Feb 21, Feb 14				
Union-Investment-Gesellschaft GmbH				
Unifonds	DM27.58	29.00	-0.10	-
Unirak	DM73.96	77.70	+0.35	-
Unirenta	DM37.90	39.10	-	-
Viking Fund-SICAV				
[illegible]				

Aitken Hume
30 City Road, EC1Y 2AY. 01-638 6070

Treasury Acc	12.00	9.21	12.71	Qtr
Mth Int Chq £1000-£5000	11.75	9.02	12.54	Mth
Mth Int Chq £5,000+	12.00	9.21	12.81	Mth

Bank of Ireland High Interest Cheque Acc
36 Queen St, EC4R 1BN. 01-329 4500

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

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AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
19	14	USX $1	17¼	−⅛	$1.40	—	4.4
154p	44p	♦Unilab	130p		—	—	—
26	17⅝	Utd. Technologies	25⅛	+⅛	$1.60	—	3.4
1630	27p	♦Utilitech Inc	138p		—	—	—
35½	26¼	US West	35½	−½	$3.52	—	5.5
26	16	Waste Management $1	25	+	48c	—	1.1
16	12	Whirlpool $1	15		$1.10	—	4.0
20⅝	15	Whitman Corp	19		96c	—	2.8
33	18	♦Woolworth $3½	31	−	$1.64	—	2.9

CANADIANS

1988/89 High	Low	Stock	Price	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	132p	♦ABM Gold Corp	145p	−1	—	—	—
32p	4½p	♦Abbot Energy Corp	12½p		—	—	—
14¼	882p	♦Amer. Barrick Res.	11½	+⅛	—	—	—
10p	2½p	♦Amer. Lightwave	2½p		—	—	—
47p	7¼p	♦Armenc	18¼p	−¼	—	—	—
76p	23p	♦Augmitto Expln	26p		—	—	—
14⅞	10⅝	Bk Montreal	14½		$2.12	—	7.0
769p	514p	Bk. Nova Scot.	759p		84c	—	5.3
18¾	15¼	BCE	18¼	+⅛	$2.44	—	6.3
716p	527p	♦Bow Valley	686p		♦40c	—	2.8
14¼	10½	♦Brascan	14	−⅛	88c	—	3.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY—Contd

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
7	1½	ψSwan Res 20c	2	.....	–	–	–
12	2½	ψWest Coast 25c	3	+½	–	–	–
315	160	Westn. Mining 50c	259	+1	Q23c	1.4	4.3
145	65	ψWhim Creek 10c	111	.....	Q11c	16.4	5.7

Tins

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
55	25	‡Ayer Hitam SM1	40	.....	ttQ53.3c	0.7	‡
*130	67	Geevor	79	–1	–	–	–
63	33	Gopeng Berhad M$0.50	43	.....	$Q10c	1.4	‡
111	36	Jantar 12½p	86	–1	♦	–	–
64	27	Malaysia Mng. 10c	64	.....	†Q3.5c	4.2	1.2
130	110	Petaling SM1	120	.....	Q87c	1.2	15.3
100	65	Sungei Besi SM1	100	.....	Q70c	1.4	14.8
150	90	Tanjong 15p	90	.....	–	–	–
150	95	Tronoh SM1	150	+20	♦†Q25c	1.0	3.5

Miscellaneous

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
78	60	Anglesey Mining 9p	75	.....	–	–	–
21	11	Do. Warrants	21	.....	–	–	–
43	24	Anglo-Dominion	29	.....	–	–	–
423	320	Bond Intl. Gold	406	+9	–	–	–
145	40	Butte Mining 10p	43	–3	–	–	–
57	33½	ψColby Res Corp	41	–3	–	–	–
206	83	Cons. Murch. 10c	99	+10	Q30c	2.1	7.7
100	57	ψDRX Inc	78	.....	–	–	–
*39	15½	‡Emess Int. Ir10p	23	–1	–	–	–
50½	19	‡Exploura L/V 5p	46	–1	–	–	–
253	77	Greenwich Res	82	.....	0	–	–
£8½	£4¼	ψHemlo Gold Mines	£6	–⅛	$Q20c	–	1.6
170	91	ψHighwood Res	96	–1	–	–	–
£10	£6⅞	Homestake Mining $1	£7¾	+⅛	Q20c	–	1.4
188	36	ψMcFinley Red Lake	38½	–½	0	–	–
46	21½	ψNew Sabina Res C$1	23½	.....	–	–	–
398	255	Northgate C$1	325	–15	5	–	–
66	9	ψNor-Quest Res	11	–3½	–	–	–
529	315	RTZ 10p	524	–1	†11.5	3.4	2.9
£262½	£162½	Do. 9½pc '95-00	£259½	–1	Q9½%	37.7	3.7
24½	8¼	ψThorco Res. Inc.	8¼	.....	–	–	–
245	156	‡Young Group 10p	245	.....	L6.3	♦	3.5

THIRD MARKET

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
114	63	ASB Barnett 2p	79	.....	–	–	–	–
*43¼	11	Amercoeur Energy 10p	11	.....	–	–	–	–
85	56	Andaman Res. 10p	67	+2	–	–	–	–
90	58	Associated Farmers	78	.....	–	–	–	34.5
2¼	0¾	Barbican Hldgs. 1p	0¾	.....	–	–	–	–
121	57	Beckenham Grp. 5p	118	–3	2.5	♦	2.9	♦
230	152	Broadcast Comms	196	+2	–	–	–	25.5
53	21	Caldwell Invs. 10p	23	.....	–	–	–	10.0
81	14	Caspen Oil 10p	17	.....	–	–	–	♦
145	80	Chelsea Artisans 5p	98	.....	1.0	7.1	1.5	11.4
*65	24	ChemEx Intl	33	.....	–	–	–	–
105	52	Comac Group 5p	52	.....	1.25	6.2	3.2	5.9
160	120	Crown Eyeglass 5p	148	.....	–	–	–	15.5
113	100	Cupid 10p	111	.....	b2.0	6.4	2.4	8.7
38	28	Dana Expl	31	+3	–	–	–	–
16	5	Eglinton Expln. 5p	8½	–½	–	–	–	–
8	2	Do. Warrants	4	.....	–	–	–	–
143	35	Far East Res. 10p	58	.....	–	–	–	–
70	23	Feltrim Min.Ir0.20	34	.....	–	–	–	–
90	60	Hiliclare 5p	81	.....	–	–	–	13.3
*45	21	Honorbilt Group 5p	23	–1	–	–	–	♦
31	13	Intl. Comm & Data 5p	16	–1	–	–	–	9.6
27	12½	Iverola West	15	.....	–	–	–	–
56	30	Kemp (P.E.) 5p	33	.....	1.5	♦	6.3	♦
18½	10	Kromagraphic 1p	18	.....	–	–	–	–
99	58	LGW 5p	97	.....	u2.0	2.1	2.7	23.1
104	66	Leading Leisure 5p	91	+2	2.0	♦	3.0	♦
*37	12	Lynx Group 5p	20	.....	–	–	–	3.2
433	106	M L. Labs. 1p	411	+8	–	–	–	–
146	89	Medirace 10p	109	+6	–	–	–	–
12½	5½	Moray Firth 1p	6	.....	–	–	–	–
38	8½	Norton Group 5p	10	.....	–	–	–	–
59	24	Ovoca Gold IP 2p	32	.....	–	–	–	–
38	15	Pennant Grp. 2p	16	.....	d0.2	–	1.7	–
51	35	Pennine Optical 2½p	35	.....	–	–	–	9.4
60	33	Propeller 1p	47	.....	–	–	–	22.7
65	56	Restaminster 5p	64xd	–1	F2.0	4.3	4.2	15.0
237	150	Royal Sovereign 10p	195	.....	†4.6	1.9	3.1	18.2
26	20	Scott Pickford 10p	21	.....	3.1	0.7	19.7	10.9
116	68	Seacon Hldgs	108	+5	Z1.0	–	1.2	–
15½	7	Sonic Tape 2½p	8½	.....	0	–	–	11.2
27	15	Staks Hldgs. 5p	15	.....	–	–	–	17.8
*4½	1½	Swanyard Studios 1p	2	.....	–	–	–	♦
350	200	Takare	335	–5	b1.0	8.1	0.4	34.4
36	26	Tomorrows Leisure 20p	29	.....	–	–	–	14.4
25	13½	Tullow Oil 10p	17	.....	–	–	–	–
135	100	UPL Group 10p	100	.....	L2.41	4.3	3.2	13.6
182	120	Unit Group	145	.....	F7.5	2.9	6.9	8.2
17½	12½	Whitegate Leisure 20p	15	.....	–	–	–	–
12	6	Do. Wrnts	11½	.....	–	–	–	–
6½	2	Wilton Group 1p	5½	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ψ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✭ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p γ	77	.....
Craig & Rose £1 γ	710	.....
Finlay Pkg. 5p γ	89	.....
Holt (Jos) 25p γ	1230	–5

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£99½	.....
9pc Cap Ln. 1996	£100½	.....
Fin. 13% 97/02	£122¼	.....
Arnotts	425	.....
Carrol (P.J.) γ	155	.....
Hall (R. & H.)	170	+5
Heiton Hldgs. γ	70	.....
Irish Ropes	170	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	18
BAT	43
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Stock	p
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Stock	p
Brit Petroleum	22
Co. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Stock	p
Cons Gold	100
Lonrho	36
RTZ	40

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Uncertainty undermines dollar

THE US dollar lost ground in currency markets yesterday as investors adjusted positions prior to the release of details on the US budget. Early trading was confined to a narrow range as traders failed to overcome upward resistance, mainly on fears of renewed central bank intervention.

Consequently, a few sellers started to emerge, and after bouncing up from support at DM1.8580, the US unit fell away to a low of DM1.8545 - the softer tone aggravating stop loss selling. However the dollar came back to finish at DM1.8590, although this was still well down from DM1.8720 on Wednesday. The US unit was also lower against the yen at Y128.50 from Y129.65. Elsewhere, it finished at SFr1.5790 from SFr1.5905 and FFr6.3275 compared with FFr6.3700. On Bank of England figures, the dollar's exchange rate index fell from 67.8 to 67.2.

The dollar's weakness is regarded as a short-term technical phenomenon, based on a number of overbought positions. This encouraged some investors to turn their attention towards high yielding currencies such as sterling.

The pound benefited from the dollar's decline, but lost ground against most of its European trading partners. A growing perception that UK rates are at their peak, coupled with upward pressure on rates elsewhere in Europe, pushed the pound down to DM3.2625 from DM3.2650. It was also lower against the yen at Y225.50 from Y226.00. Elsewhere, it finished at SFr2.7700 from SFr2.7725 and FFr11.1050, unchanged from Thursday.

On Bank of England figures, the pound's exchange rate index closed at 97.7, down from 97.8 at the opening but up from 97.5 at the close on Wednesday. There was no fresh data to influence the market, although traders pointed out that many investors are probably looking ahead to next week, when several key economic pointers are due for release.

The D-Mark traded nervously, taking most of its cue from the hesitant dollar. However, underlying factors pointed towards a further upward push on the D-Mark. December trade data released yesterday, showed a rise in the visible surplus to DM13.5bn, to give a record surplus of DM128bn for 1988. Further data suggest that the West German economy is growing at a faster pace than previously envisaged. In addition, the cost of living index was revised upwards in January to 1.1 per cent, to give a year-on-year inflation rate of 2.6 per cent.

Against this background, many analysts see little prospect of a relaxation in the recent upward pressure on West German interest rates, and this should provide underlying support for the D-Mark.

The French franc managed to hold its own against the D-Mark. The French authorities adopted a fairly relaxed attitude by leaving the money market intervention rate unchanged at a sale and repurchase tender yesterday. The D-Mark closed at FFr3.4040 against FFr3.4030 on Wednesday.

£ IN NEW YORK

Feb.9	Latest	Previous Close
£ Spot	1.7560-1.7570	1.7430-1.7440
1 month	0.48-0.47pm	0.49-0.47pm
3 months	1.39-1.36pm	1.40-1.37pm
12 months	3.72-3.65pm	3.85-3.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.9	Previous
8.30 am	97.8	97.6
9.00 am	97.8	97.6
10.00 am	97.7	97.5
11.00 am	97.7	97.5
Noon	97.7	97.5
1.00 pm	97.7	97.5
2.00 pm	97.7	97.5
3.00 pm	97.8	97.5
4.00 pm	97.7	97.5

CURRENCY RATES

Feb.9	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.750637	0.639264
U.S Dollar	6.50	1.30701	1.12255
Canadian $	11.54	1.54892	1.32741
Austrian Sch.	4	17.2199	14.6751
Belgian Franc	7.75	51.2642	43.7176
Danish Krone	7½	9.51830	8.11209
Deutsche Mark	4	2.44738	2.08626
Neth.Guilder	5.00	2.76302	2.35578
French Franc	9½	8.32761	7.10068
Italian Lira	12½	1784.66	1521.22
Japanese Yen	2½	169.258	144.203
Norway Krone	8	8.84323	7.54633
Spanish Peseta	-	152.159	129.677
Swedish Krona	8½	8.30474	7.09170
Swiss Franc	4	2.08207	1.77363
Greek Drach.	20½	203.488	173.681
Irish Punt	-	N/A	0.781501

*All SDR rates are for Feb.8

CURRENCY MOVEMENTS

Feb.9	Bank of England Index	Morgan** Guaranty Changes %
Sterling	97.7	-14.4
U.S Dollar	67.2	-11.0
Canadian Dollar	102.7	-0.2
Austrian Schilling	106.2	+9.4
Belgian Franc	105.4	-6.6

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.7176	+2.97	+0.92	±1.5344
Danish Krone	7.85212	8.11209	+3.31	+1.26	±1.5404
German D-Mark	2.05853	2.08626	+1.35	-0.70	±1.0981
French Franc	6.90403	7.10068	+2.85	+0.80	±1.3674
Dutch Guilder	2.31943	2.35578	+1.57	-0.48	±1.5012
Irish Punt	0.768411	0.781501	+1.70	-0.35	±1.6684
Italian Lira	1483.58	1521.22	+2.54	+1.26	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7470 - 1.7580	1.7545 - 1.7555	0.49-0.46cpm	3.25	1.43-1.38pm	3.20
Canada	2.0720 - 2.0795	2.0755 - 2.0765	0.34-0.21cpm	1.59	0.79-0.60pm	1.34
Netherlands	3.67½ - 3.69	3.68 - 3.69	1⅞-1⅞cpm	5.90	5¾-5½pm	6.11
Belgium	68.20 - 68.60	68.30 - 68.40	30-22cpm	4.56	88-80pm	4.92
Denmark	12.67¾ - 12.70	12.68¼ - 12.69¼	4⅞-4⅜orepm	4.37	14⅝-13⅞pm	4.49
Ireland	1.2195 - 1.2270	1.2260 - 1.2270	0.56-0.50ppm	5.14	1.53-1.43pm	4.83
W. Germany	3.25¾ - 3.28	3.26 - 3.26½	1¾-1⅝pfpm	6.21	5¾-5⅝pm	6.36
Portugal	266.25 - 268.45	266.25 - 267.25	48-11cpm	1.33	95-27pm	0.91
Spain	202.55 - 203.25	202.60 - 202.90	11-parcpm	0.33	21-5pm	0.26
Italy	2375 - 2382¾	2377½ - 2378½	3-1lirepm	1.01	2-1pm	0.25
Norway	11.79 - 11.81¼	11.80¼ - 11.81¼	1⅞-1⅜orepm	0.17	5¼-4½pm	0.17
France	11.08½ - 11.12	11.10 - 11.11	3¾-3⅜cpm	3.71	10½-10¼pm	3.71
Sweden	11.08¾ - 11.10¾	11.09 - 11.10	2¼-1⅞pm	2.16	6⅞-6pm	2.28
Japan	225 - 226¼	225 - 226	1⅝-1½ypm	8.31	4⅝-4½pm	8.09
Austria	22.92 - 22.99	22.92 - 22.95	12¼-11⅛gropm	6.12	37¼-24¼pm	5.36
Switzerland	2.76½ - 2.78	2.76½ - 2.77½	1⅝-1½cpm	6.77	4⅞-4⅝pm	6.86

Belgian rate is convertible francs. Financial franc 68.55-68.65. Six-month forward dollar 2.44-2.39cpm 12 months 3.78-3.68cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7470 - 1.7580	1.7545 - 1.7555	0.49-0.46cpm	3.25	1.43-1.38pm	3.20
Ireland†	1.4320 - 1.4380	1.4350 - 1.4360	0.20-0.25cdis	-1.88	0.57-0.67dis	-1.73
Canada	1.1800 - 1.1845	1.1830 - 1.1840	0.14-0.19cdis	-1.67	0.52-0.59dis	-1.88
Netherlands	2.0940 - 2.1090	2.0985 - 2.0995	0.47-0.44cpm	2.60	1.52-1.43pm	2.86
Belgium	38.80 - 39.05	38.90 - 39.00	6.00-4.50cpm	1.62	18.00-15.00pm	1.70
Denmark	7.21¼ - 7.26½	7.22¾ - 7.23¼	0.80-0.55orepm	1.12	2.55-2.15pm	1.30
W. Germany	1.8545 - 1.8665	1.8585 - 1.8595	0.47-0.44pfpm	2.94	1.49-1.45pm	3.16
Portugal	152 - 152½	152¼ - 152½	15-35cdis	-1.97	70-110dis	-2.37

FINANCIAL FUTURES

A generally weak tone

A WEAKER tone to short sterling and depressed US Treasury bonds pushed long gilt futures lower on Liffe yesterday. March short sterling traded in a very narrow range of only 5 basis points, opening and closing at 87.22, compared with 87.25 on Wednesday. This was close to a major support point of 87.21, which if broken could produce a fall to 87.10.

US Treasury bonds for March delivery opened sharply lower at 90-23, but this was almost the day's high, with the contract sliding to close just above its low, at 90-12, against 91-18 previously. Liffe closed with the market waiting nervously for the result of the US Treasury's 30-year bond auction, after disappointment at the outcome of the 10-year auction. There was lower than expected demand for 10-year paper, with a large number of accepted bids at the auction at the top of the yield range. This led to a sell of long bond positions.

March long gilt futures opened weaker at 98-16 on Liffe, and failed to hold on to a rally to a peak of 98-23, closing near the day's low at 98-15, compared with 98-21 on Wednesday.

MONEY MARKETS

Rates stay firm

RATES MAINTAINED a firm tone in Europe yesterday. The short end of the London money market was kept tight by a very large credit shortage. Period rates were generally steady, with three-month sterling interbank unchanged at 13-12⅞ per cent.

In Frankfurt call money eased slightly to 5.90 per cent from 5.96 per cent, but dealers saw no sign of the Bundesbank easing its tight monetary stance, against a background of strong industrial production; rising inflation; and high capital exports. The West German capital account deficit rose sharply last year. Full figures for 1988 are expected today or early next week.

In Paris the Bank of France left its money market intervention rate at 8¼ per cent at yesterday's securities repurchase agreement tender. The five to 10-day repurchase rate was also unchanged at 9 per cent.

In Rome the rate on a reverse repurchase tender by the Bank of Italy rose sharply to 12.96 per cent from 11.86 per cent. Dealers said the central bank is moving away from intervention.

In London the Bank of England initially forecast a money market credit shortage of £1.4bn, but revised this to £1.6bn. Total help of £1.606bn was provided.

An early round of assistance was offered, and at that time the authorities bought £951m bills, including £114m outright, by way of £77m bank bills in band 2 at 12⅞ per cent and £37m bank bills in band 3 at 12¾ per cent. Another £637m bills were purchased for resale to the market on February 22, at a rate of 12⅞ per cent.

Before lunch another £64m bills were bought outright, through £10m bank bills in band 1 at 12⅞ per cent; £19m bank bills in band 2 at 12¾ per cent; and £35m bank bills in band 3 at 12¾ per cent.

In the afternoon the Bank of England purchased £556m bills outright, via £3m Treasury bills in band 1 at 12⅞ per cent; £415m bank bills in band 1 at 12⅞ per cent; £98m bank bills in band 2 at 12¾ per cent; £21m bank bills in band 3 at 12¾ per cent; and £21m bank bills in band 4 at 12⅝ per cent. Late help of £35m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £603m, with the unwinding of repurchase agreements on bills absorbing £651m; a rise in the note circulation £50m; and bank balances below target £20m. These factors outweighed Exchequer transactions adding £140m to liquidity.

UK clearing bank base lending rate 13 per cent from November 25

CROSSWORD

No.6,857 Set by DINMUTZ

ACROSS
1 Spoil what people study at Camptown? (6)
4 Reeds blown in the fields (3-5)
10 Of whom Wodehouse wrote so comically (7)
11 It is tied up in a bow (7)
12 Open-handed blow from copper, very loud (4)
13 'e think safe troublesome? (5-5)
15 Last of Madras spiced dish makes one run like this (6)
16 Impractical advice to consumers? (7)
20 Stem the flow – it is tried and trusted (7)
21 Stop frowning and cast off! (6)
24 Making great noise below in night, possibly (10)
26 Verbal tender of dyke-builder (4)
28 Lumpy cargo between the road-rail and the firewood (3-4)
29 Spike, look inside and carry on (7)
30 So humid around square here in Devon (8)
31 Outlaw not necessarily mono-brachial (6)

DOWN
1 Blue-county players (8)
2 Fallen arch, perhaps, at Wimbledon (4-5)
3 This girl can be hurt (4)
5 Estimate value of a two-penny increment (8)
6 At the end of the barrel? (5-5)
7 Dish of prepared tripe (5)
8 Attack of fliers in set pattern (6)
9 Pair take on another in flat (5)
14 Point below nuclear blast is like nothing on earth (6-4)
17 Din a frog's making in cold blood (4-5)
18 Commission makes CID react violently (8)
19 Just right (8)
22 First of sound recordings reproduced in The Listener? (6)
23 These photographs are Philip's, we hear (5)
25 Encouraged in rude way about midnight (5)
27 Planned go at encircling Julius Caesar (4)

Solution to Puzzle No.6,856

SEARCH TEACUP / PATTERN STORIES / REVELATION AKIN / TOSTI ADVANCED / DETAINER NIGHT / USED CREDITABLE / ARSENAL CABINET / RESORT MEAGRE

JOTTER PAD

WORLD STOCK MARKETS

AUSTRIA — February 9 — Sch — + or −

[illegible]

BELGIUM/LUXEMBOURG — February 9 — Frs. — + or −

[illegible]

DENMARK — February 9 — Kr — + or −

[illegible]

FINLAND — February 9 — Mks — + or −

[illegible]

FRANCE — February 9 — Frs. — + or −

[illegible]

FRANCE (continued) — February 9 — Frs. — + or −

[illegible]

GERMANY (continued) — February 9 — Dm. — + or −

[illegible]

ITALY — February 9 — Lire — + or −

[illegible]

ITALY (continued) — February 9 — Lire — + or −

[illegible]

NETHERLANDS — February 9 — Fls. — + or −

[illegible]

NORWAY — February 9 — Kroner — + or −

[illegible]

SPAIN — February 9 — Pts.% — + or −

[illegible]

SWEDEN — February 9 — Kroner — + or −

[illegible]

SWITZERLAND — February 9 — Frs. — + or −

[illegible]

SOUTH AFRICA — February 9 — Rand — + or −

[illegible]

JAPAN — February 9 — Yen — + or −

[illegible]

AUSTRALIA — February 9 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — February 9 — Aust.$ — + or −

[illegible]

HONG KONG — February 9 — H.K.$ — + or −

[illegible]

SINGAPORE — February 9 — S$ — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices February 9

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
[illegible]					
800	CentFd A	$5½	5½	5½	
2655	C Guar Trc	$18¾	18¾	18¾	
4100	Charan	215	210	210	− 5
329	CHUM B f	$20¼	20⅛	20⅛	− ⅛
[illegible]					
20225	H Bay Co	$25	24¾	25	+ ⅛
43850	Imasco L	$31¼	30⅞	30⅞	− 1
28710	Imp Oil A	$50	49¾	49⅞	− ⅛
[illegible]					
25045	Poco Pet	$8⅝	8½	8⅝	− ⅛
86455	Powr Cor f	$15⅝	15⅜	15½	− ⅛
1550	Powr Fin	$17⅝	17½	17⅝	− ¼
[illegible]					

f – No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Feb 8	Feb 7	Feb 6	Feb 3	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
◆Industrials	2343.21	2347.14	2321.07	2331.25	2347.14 (7/2/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.62	89.46	89.32	89.37	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	1076.16	1087.97	1084.73	1083.44	1087.97 (7/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	190.14	190.85	189.19	189.54	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2369.29 (2363.75) Low 2332.86 (2314.64)

STANDARD AND POOR'S	Feb 8	Feb 7	Feb 6	Feb 3	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite‡	298.65	299.63	296.04	296.97	299.63 (7/2/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	345.31	346.41	342.48	343.84	346.41 (7/2/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	27.18	27.24	26.72	26.76	27.24 (7/2/89)	21.51 (8/1/88)	32.43 (25/9/87)	8.64 (1/10/74)
NYSE Composite	167.69	168.02	166.19	166.50	168.02 (7/2/89)	154.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	327.23	326.38	324.48	324.88	327.23 (8/2/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	407.97	409.19	406.00	406.35	409.19 (7/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Feb 3	Jan 27	Jan 20	year ago (approx.)
Dow Industrial Div. Yield	3.45	3.46	3.59	3.63
	Feb 1	Jan 25	Jan 18	year ago (approx.)
S & P Industrial div. yield	3.05	3.12	3.13	3.15
S & P Indl. P/E ratio	13.79	13.40	13.30	15.96

TRADING ACTIVITY — †Volume — Millions

	Feb 8	Feb 7	Feb 6
New York	189.420	217.260	151.307
Amex	12.637	14.780	12.312
OTC	152.729	156.914	128.290

NEW YORK	Feb 8	Feb 7	Feb 6
Issues Traded	1,961	1,957	1,924
Rises	732	1,096	642
Falls	729	410	780
Unchanged	500	451	502
New Highs	149	151	87
New Lows	7	10	9

CANADA

TORONTO	Feb 8	Feb 7	Feb 6	Feb 3	1988/89 High	1988/89 Low
Metals & Minerals	3551.9	3554.9	3564.9	3560.2	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3696.1	3679.7	3661.8	3667.0	3696.1 (8/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1850.44	1842.23	1831.50	1837.61	1850.44 (8/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Amer Elect Power	6,432,400	26⅝	− ⅛	Gt West Financial	1,870,600	16⅞	+ ½
RJR Nabisco	5,931,100	100	+ ½	Navistar	1,772,700	6½	+ ⅛
Burlington	2,929,500	45¾	− ⅝	AT&T	1,706,200	32	− ⅛
Panhandle PI	2,803,100	25½	− ⅛	Baxter Intl	1,631,900	20⅛	----
Union Carbide	2,462,100	29¾	− ⅜	Ford Motor	1,551,300	56⅛	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 9	Feb 8	Feb. 7	Feb. 6	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1513.6	1501.3	1492.0	1501.5	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	690.7	683.0	678.9	686.5	847.8 (9/6/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	237.52	236.88	234.90	234.20	237.52 (9/2/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5813.71	5791.01	5775.40	5765.60	5813.71 (9/2/89)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	291.57	289.88	289.65	289.29	291.57 (9/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	767.6	761.2	756.8	751.5	772.1 (8/8/88)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	(u)	456.4	452.0	457.3	457.1 (3/2/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	(u)	107.5	106.3	107.3	108.1 (3/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	567.53	569.27	564.44	560.11	569.27 (8/2/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1695.8	1701.2	1687.0	1673.8	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1347.42	1359.88	1344.94	1345.04	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	3209.96	(c)	(c)	(c)	3209.96 (9/2/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	579.97	580.49	578.33	586.13	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	32078.43	32065.12	31880.65	31828.7	32078.43 (9/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2489.07	2490.07	2472.30	2473.59	2490.07 (8/2/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	310.1	310.7	307.7	307.3	310.7 (8/2/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	271.4	272.7	270.9	269.9	272.7 (8/2/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	549.07	547.33†	543.79	542.79	549.44 (30/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1156.39	1151.90	(c)	(c)	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1378.0‡	1359.0	1334.0	1304.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2247.0‡	2216.0	2183.0	2161.0	2247.0 (9/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	279.56	279.59	279.86	280.36	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3635.4	3623.0	3594.7	3618.2	3647.4 (3/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	640.6	638.1	629.9	627.9	640.6 (9/2/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	516.6	514.5	510.8	516.6 (8/2/89)	401.0 (21/1/88)

‡Subject to official recalculation. †Corrected Index.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 9 February 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	76.7m	1,140	+30	Asahi Chemical	39.3m	1,290	-10
Sato Kogyo	60.7m	2,160	+210	Hitachi Zosen	38.9m	674	+1
Kobe Steel	54.7m	830	-7	Hazama	33.6m	1,410	uch
NKK	51.0m	988	-25	Fujita Kogyo	31.2m	1,400	+70
Nissan	46.8m	1,400	+50	Sumitomo Metal	29.8m	778	-14

3pm prices February 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
28⅜	19⅛	AAR	.44	1.7	18	435	25¾	25⅜	25½	+ ⅛
10⅛	9⅛	ACM n	1.01	11.		58	9¼	9⅛	9⅛	− ⅛
12⅛	10⅛	ACMIn	1.26a	12.		205	11	10⅞	10⅞	
10⅛	8½	ACM M	n1.01	11.		110	9⅜	9¼	9¼	− ⅛
12⅛	10⅛	ACM Sc	1.26	12.		605	10¾	10⅝	10¾	+ ⅛
10⅛	8½	ACMSp	n.75e	8.5		504	9	8⅞	8⅞	− ⅛
5⅛	2⅝	AMCA	.12e	3.0		287	4⅛	4	4	− ⅛
6⅛	3⅞	AM Intl				998	5¾	5⅝	5¾	+ ⅛
29⅛	18⅛	AM Int pf	2	8.7		214	23	22⅞	22⅞	+ ⅛
62¼	33¾	AMR			7	3561	59¼	58⅝	58⅝	− 1
9½	5	ARX				47	5⅞	5¾	5¾	− ⅛
48¾	35¼	ASA	3a	7.3		702	42⅛	41⅞	41⅞	− ½
20¼	13⅛	AVX	.24	1.3	9	217	18⅛	18⅛	18⅛	
52⅛	42⅞	AbtLab	1.20	2.4	15	3662	50⅛	49¾	49⅞	− 1
20¾	15⅞	Abitibi g	1			10	17⅞	17¾	17¾	− ⅛
13⅞	7½	AcmeC	.40	3.8		101	10⅞	10½	10½	
8⅞	5⅞	AcmeE	.32b	5.0	23	15	6⅛	6⅛	6⅛	+ ⅛
29½	17¾	Acuson			25	305	27⅛	26⅞	27	
17	14½	AdaEx	1.82e	12.		361	15	14⅞	14⅞	
18⅞	7⅛	AMD			61	2859	9⅛	8⅞	8⅞	− ⅛
43½	28¾	AMD pf	3	9.4		2	32	32	32	
8½	5⅞	Adobe				82	7½	7¼	7⅜	
18½	16½	Acob pf	1.84	11.		3	17½	17½	17½	
21¾	20	Acob pf	2.40	12.		17	20⅝	20⅝	20⅝	+ ⅛
9¼	5⅞	Advest	.12	1.4	19	965	8¾	8½	8¾	− ¼

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32½	22⅝	Ryder	.56	2.1	17	2229	27	26⅝	26⅝	- ¼
27¼	18	Rykoff s	.60	2.2	17	184	27¼	26⅞	26⅞	
23½	13⅞	Ryland	.60	2.6	7	633	22⅞	22½	22⅞	
13½	8⅛	Rymer				45	10⅝	10⅛	10⅝	+ ⅛
10	7¼	Rymer pf1.17		12.		80	9¾	9½	9¾	+ ⅛
		- S-S-S -								
34½	30	SCEcp	2.48	7.6	11	1874	32⅞	32⅝	32⅝	- ¼
9½	6½	SCOR U.10e		1.3	6	184	7⅞	7⅝	7⅞	+ ¼
9⅝	7⅞	SL Ind	.17b	2.0		7	8⅝	8½	8½	- ⅛
45⅝	28⅝	SPSTec	1.20	2.8	20	126	43	42⅝	42⅝	- ⅞
44⅝	30⅛	SPX Cp	1.20	3.2	14	541	38⅛	37⅝	37⅝	- 1
31½	19	SSMC				2600	u31⅝	31⅛	31⅜	- ⅛
25	17	SaatchI	1.04e	4.9	8	1069	22⅛	21⅝	21⅝	- ½
13⅝	11¼	SabnR	1.32e	11.	9	x161	12¾	12½	12½	
18½	13⅛	StgdSc			9	160	u19	18⅝	18⅞	+ ⅜
30⅛	21⅝	SaltKin	.30	1.1	25	813	29	28½	28⅝	+ ⅛
9¼	8	SalCas	1.12	13.		35	8½	8⅝	8⅝	- ⅛
24½	19⅛	SLIoLP	1.52	7.0	9	16	21⅞	21½	21⅞	
25	8⅞	Salant				87	23⅛	22½	22½	- 1⅛
90⅜	72⅞	SallieM	.80	.9	17	890	u92	89⅞	91¼	+ 1⅛
29⅞	19⅜	Salomo	.64	2.4	16	3960	27¼	26½	26⅞	- ⅜
39½	30⅝	SDieGs	2.60	6.8	12	401	38⅛	37⅞	38	- ⅛
8⅝	6⅛	SJuanB	.30e	3.7	20	118	8¼	8⅛	8⅛	- ⅛
14¼	10⅞	SJuanR	2.25o		12	8	12⅝	12⅝	12⅝	- ⅛
34⅛	27½	SAnRt	2.08	6.3	18	44	33	32⅞	33	- ⅛
18⅝	11¼	SFeEP	2.88	24.		103	12⅛	12	12⅛	+ ⅛
23	20	SFePP	n2.20	9.7		942	u23⅛	22½	22⅝	+ ⅛
24⅜	14¼	SFeSP s				4105	22⅞	21	21⅛	+ ½
51½	35⅛	SaraLee	1.44	3.0	15	1636	48	47⅛	47¼	- ⅞
12¼	10⅛	SavE pf1.28		12.		1	10½	10½	10½	+ ⅛
⅜	11-64	Savin			9	2826	13-32	⅜	⅜	- 1-32
12¼	⅞	Savn pfA				7	11⅞	11⅞	11⅞	- ⅛
8½	4½	Savn pf3.60		10.		58	7⅞	7⅞	7⅞	
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. [remainder illegible]

AMEX COMPOSITE PRICES

3pm prices February 9

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
ChmpPd	.48	14	33	63	62¾	62¾	+ ⅛
ChfPwr	.11	20	16	5¼	5½	5½	- ¼
ChRv	1.20	18	12	23⅛	23	23	- ⅛
Cmpinc		17	28	22⅝	22¼	22¼	- ⅛
CmpCn		11	47	12½	12½	12½	
Cmptrc		.16	38	4⅞	4⅞	4⅞	+ ⅛
ConcdF			60	3	3	3	- ⅛
ConcF B			6	3	3	3	- ⅛
Congst			195	2⅛	2	2	- ⅛
ConsCos			90	⅜	1-16	1-16	- 1-16
ConsOG			263	½	7-16	½	
Constn		79	5	3⅞	3⅞	3⅞	+ ⅛
Hitvst	2.64	7	669	15⅞	d15	15	- ⅝
Helco	.10	12	12	14⅛	13⅞	13⅞	- ⅛
HerltEn			29	1⅞	1⅝	1⅞	- ⅛
HershO			41	5⅝	5½	5½	
HollyC s	.14l	7	30	25⅝	25⅝	25½	- ⅛
HomeSh		23	3639	5⅞	5½	5½	+ ⅛
Hormel	.44	13	274	20⅞	20⅝	20⅝	- ⅝
HmHar			784	8⅝	7¾	8¼	+ ⅜
HouOT	.11e		41	1	1	1	
HovnEn		7	37	8⅝	8⅝	8⅝	
- I-I -							
ICH			84	4⅞	4⅝	4⅞	
PallCp	.48	19	298	29⅞	29½	29½	- ⅛
PegGld	.10e	16	749	12¾	12¾	12¾	
PerlnC	.80	8	61	35⅛	35	35	
PtHeat	1.33	173	20	17⅛	17⅛	17⅛	
PhILD	.15e	6	300	11⅞	11⅞	11⅞	
PionrSy			60	5-16	5-16	5-16	+ 1-16
PtDam	.40e	7	1	29½	29½	29½	+ ¼
Pittway	1.80	12	19	102⅝	102	102	- ⅜
PlyGem	.12	14	200	13⅝	13¼	13½	
PopeEv			50	⅜	5-16	⅜	
Presd A	.10		24	5	5	5	- ⅛
WangB	.16	32	8782	10⅛	9⅞	9⅞	- ⅛
WangC	.11	32	5	10⅛	9⅞	9⅞	- ⅛
WshPst	1.04	18	39	216½	214½	216¼	- 1¾
Wthfrd			25	2¼	2¼	2¼	
Wellco	.25	8	9	17	16⅞	16⅞	- ⅛
WellAm			19	1⅞	1⅞	1⅞	
WelGrd		18	20	4⅛	4⅛	4⅛	
WDigitl		9	835	13⅝	13⅜	13⅜	- ¼
Worthn		6	32	8	8	8	

OVER-THE-COUNTER

Nasdaq national market, 3pm prices February 9

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Wlamt	1.20	7 339	46½	45	45	- ⅛
WmTr	1	11 793	33	32¼	33	+ ¼
Windm s		14 1720	25⅛	24½	24⅞	- ⅛
Wolohn	.28	14 1870	u26½	24⅝	25½	+ 1⅞
WolvEx		116	7¼	7	7⅛	
Worthg	.44	15 1048	23½	22⅝	22⅝	+ ⅛
Wyman	.80	14 209	14⅞	14½	14⅞	+ ⅛
- X-Y-Z -						
XL Dta		20 117	30⅝	30	30	- ⅛
XOMA		816	13⅞	13½	13⅞	- ⅛
X-Rite s	.08	17 100	11	10½	10¾	
Xicor		9 1229	7⅝	7⅜	7½	- ⅛
Xyvsn		67 472	5⅝	5¼	5½	+ ⅛
YelowF	.70	13 1680	30⅝	30⅛	30⅛	- ⅛
ZionUt	1.44	183	21¼	21	21¼	

AMERICA

Dow undermined by lower bonds and weak dollar

Wall Street

WEAKNESS in Treasury bonds and the dollar pulled equities lower yesterday, although the market still showed a measure of resilience, *writes Janet Bush in New York.*

Blue chips slumped at the opening, taking the Dow Jones Industrial Average more than 10 points lower. The index then bounced back as institutions, which are in the process of increasing the equity component of their portfolios, snapped up stocks at cheaper levels. By midsession, however, profit-taking had once again taken its toll.

At 2pm, the Dow stood 14.28 points lower at 2,328.93. Volume was once again heavy with 132m shares having changed hands by midsession.

There were a number of reasons for caution. The dollar was weaker, quoted in midsession trading in New York at Y128.30 compared with its earlier high of Y129.58 and at DM1.8535 from DM1.8720 earlier. Bonds fell by around a full point at the long end of the yield curve, with prices showing more vulnerability than they have for some time.

Some of the nervousness in financial markets could be traced to the imminence of President George Bush's presentation of his first budget to the nation. There is expected to be a political storm in Congress about the President's proposal to cut capital gains tax and considerable scepticism about his budget arithmetic.

There is also concern that the Federal Reserve could tighten monetary policy. Its operations in the money market so far this week have not suggested another tightening yet, but most bond analysts believe that the Federal Open Market Committee, which met earlier this week, authorised another boost to short-term interest rates.

The theory is that the Fed will tighten shortly, but has been concerned not to disrupt the quarterly refunding this week and not to be seen to undermine President Bush's address to the nation.

The structure of money market interest rates suggests that any further Fed-inspired rise in short-term rates would have prompted US commercial banks to increase their prime rates this week.

The possibility of a capital gains tax decrease may well have been one of the factors boosting equities in recent weeks, as investors hold off from taking profits until they can sell and pay less tax on their gains.

One focus of the market was RJR Nabisco, as the financing for the buy-out of the company by Kohlberg, Kravis, Roberts was finalised. Perhaps of more immediate relevance to the company's stock price was the fact that RJR Nabisco was yesterday removed from the Standard & Poor's 500 index to be replaced by First Union, a North Carolina commercial bank.

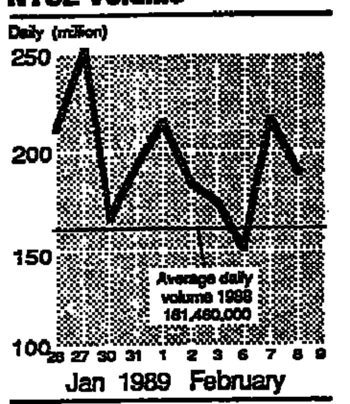
Managers of passive investment funds primarily base their portfolios on the S&P 500 and have to track that index as closely as possible. Therefore, when a stock is removed, fund managers have to sell that stock and buy shares of the company replacing it on the index.

This process appeared to account for RJR Nabisco's substantial drop. It was quoted $19 lower at midsession at $81 while First Union was up $1 at $22½. King World Productions, another new member of the S&P 500, added $1¼ to $26¼.

Among other featured issues was Genentech, which gained $1¼ to $20. Scientists from the company and two research institutions said they had coupled an experimental AIDS drug with a human antibody to enhance the AIDS drug's ability to fight the virus.

Pan Am rose $⅜ to $3¾ in the wake of this week's news of concessions by the airline's union to cut costs.

General Development jumped $2⅛ to $18 after Amruss Partners of Colorado made an offer of $23 a share in cash and securities for the company.



Canada

INDUSTRIAL and energy stocks pulled Toronto broadly lower, in spite of a healthy gain in the gold sector in early trading.

The composite index dropped 13.2 to 3,683.0 on volume of 4.5m shares.

Energetic Europe sees turnover take off

January had some of the best volumes for over a year, writes Jacqueline Moore

EUROPE rang in the new year in energetic style, as equity turnover figures for January were pumped up everywhere.

The Netherlands and West Germany heavily outstripped their 1988 monthly figures, achieving their highest totals by far for over a year. Both recorded jumps in volume of about 60 per cent over their already active December totals. France was also at its busiest for over a year, with a provisional rise of 45 per cent over its revised December figure.

Last month saw most bourses' share price indices top their 1988 peaks – Frankfurt, for example, opened the year with its FAZ and DAX indices beating their 1988 highs, and Paris's CAC index did the same. This upward trend, though more selective as the month progressed, was reflected in the rise in activity throughout Europe.

The Netherlands' new year vigour produced a 60.4 per cent increase in January volume to Fl 17.4bn worth of shares traded, compared with a 1988 monthly average of Fl 10bn. The rise was inspired in part by rallies on Wall Street and in the UK, which in turn boosted turnover in Amsterdam's big international stocks, Unilever and Royal Dutch.

The Dutch bourse was also influenced positively by the large amount of corporate news, culminating in the prospect of February's partial flotation of DSM, said one analyst. In January, speculation and profits news prompted interest in shipping stock Nedlloyd, insurer NatNed, electronics company Philips and steelmaker Hoogovens, while chemical stock Akzo saw a flurry of activity in anticipation of the DSM flotation.

Dutch turnover was also bolstered by investor confidence, with relatively good earnings prospects for 1989, predictions of economic growth at least as good as 1988's and cuts in corporation tax, according to another analyst.

Volume in Germany meanwhile leapt 59.9 per cent to DM102.5bn – almost double last year's monthly average of DM54bn – with Daimler one of the driving forces behind the activity. Negative talk about the company's earnings prospects mid-month made it one of the most active stocks. The reshuffling of the FAZ index at the start of the year was also held responsible for some of the liveliness.

France was vibrant, putting in a provisional total of FFr112bn shares traded, compared with a monthly average last year of FFr67bn. On January 6, Paris recorded its highest ever daily turnover, worth FFr6.4bn. The activity came in spite of a strike by Paris bourse employees, which curtailed trading in blue chips on several days, and a number of bomb scares at the exchange.

As usual, speculation and corporate news lay behind much of the French volume. LVMH, the luxury goods group, was in the vanguard of excitement, with drinks companies Perrier and Pernod bubbling along behind.

All-time highs on the Brussels cash market index last month underlined the optimism that pushed Belgian turnover up 51.6 per cent in January to BFr72.4bn – its highest level since last September. Strong corporate results, a hopeful economic outlook and healthy demand for steel shares were among the causes. The computerisation of trading in a handful of stocks also produced heavy turnovers in those issues.

Volume rose 46.6 per cent in Italy, where investors were preoccupied much of the time with worries about taxes and the political situation. In Switzerland, where speculation focused on business services company Adia – which eventually linked up with Inspectorate to initial disapprobation – turnover increased by 30.4 per cent.

Even sluggish Spain, beset by worries about inflation and union/government negotiations, saw turnover rise 21.5 per cent last month over December. This fairly healthy increase was nevertheless the slowest growth rate in last month's zestful Europe.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Jan '89	Dec '88	Nov '88	Oct '88
Belgium	72.4	47.7	48.6	55.9
France	112.0	77.2	80.0	101.2
Germany	102.5	64.1	55.9	81.9
Italy	17,266.4	11,776.7	15,289.0	18,572.0
Netherlands	17.4	10.8	9.9	10.5
Spain	367.6	302.5	302.5	401.1
Switzerland	16.0	12.3	17.4	15.3

Volumes represent purchases and sales. Swiss and French data estimated. Italian data adjusted to include off-market trading. Source: County NatWest WoodMac

EUROPE

Bush budget speech keeps bourses cautious

A NOTE of caution crept in to European trading before the budget speech by Mr George Bush, the US President, due early today. Bigger bourses ended weaker, but Scandinavia spurted ahead, *writes Our Markets Staff.*

FRANKFURT fell back from its new highs on Wednesday amid profit-taking and caution over Mr Bush's speech. German newspaper editorials focusing on interest rates also brought underlying worries back to the surface.

Some analysts now believe the market can take a further rise in domestic rates in its stride. But investors were in uncertain mood yesterday, given the dangers of an over-reaction from financial markets "that are looking for something special" from the Bush speech, said one analyst.

The FAZ eased 1.94 to 567.33 and the DAX lost 12.46 to 1,347.42 as turnover remained strong at DM4.05bn.

Several speculative or situation stocks stood out against the trend. Agiv, the industrial conglomerate, added DM3 to DM500 after its DM19 climb on Wednesday; it has bought a 37 per cent stake in construction group Wayss und Freytag from Dresdner Bank, giving it a 99 per cent holding, a move seen as increasing its earnings and raising its profile in the construction sector.

Insurance stock Munich Re rose DM45 to DM2,100 on a large buy order, while engineer Deutsche Babcock reached DM186 before closing DM1.50 easier at DM181.50 as the latest rumour surrounding the company suggested that utility RWE might take a stake so they could pool their expertise in the air cleaning field.

Fellow engineer MAN ended off DM1 at DM266 after first half sales and order figures in line with expectations.

PARIS had a nervous session, hit by a bourse employees' union meeting which stopped trading in the 13 option blue chip and then by worries over the US budget statement.

There were also some jitters about a weekend television appearance by President Mitterrand – his first since the election last May – which could indicate a shift to the left as a show of support for socialist candidates in the March municipal elections.

Profit-taking took blue chips lower and the CAC 40 index ended 8.29 down at 1,693.80, while the OMF 50 index lost 2.44 to 476.3. Volumes were thought to be lower than Wednesday's FFr2.8bn.

Metaleurop seemed unstoppable after several days of rises, adding FFr14.70 to FFr170.20 on heavy volume of 605,000 shares. Fund managers in London are said to be especially keen on the company which will benefit from higher zinc prices. One analyst feels the share could reach FFr250 as investors jump on the bandwagon.

Among those companies reporting improved 1988 sales, retailer Printemps added FFr1 to FFr634 and oil group Total put on FFr3 to FFr4.20. But LVMH fell FFr12 to FFr4,028 and Midi lost FFr4 to FFr1,651.

ZURICH finished mixed amid continuing rumours that chemicals group Ciba-Geigy and Sandoz planned to take stakes in each other.

The two companies declined to comment and Sandoz bearers jumped SFr275 to SFr10,275 while Ciba-Geigy bearers were unchanged at SFr3,130. Banks remained under a cloud, and Crédit Suisse bearers fell SFr40 to SFr2,700.

At the close the Crédit Suisse index was up 2 at 541.4.

AMSTERDAM ended weaker after a session dominated by corporate news, notably from NMB, the bank, and KLM, the airline. The CBS tendency index shed 0.40 to 165.60 in quieter trading than Wednesday, when turnover was swelled by activity in new issue DSM.

NMB rose Fl 8 to Fl 212.50 amid speculation about its possible merger with state-owned Postbank. NMB said the outcome of a study into possible co-operation would be announced later this month.

KLM disappointed high expectations with its third quarter net profits of Fl 60.8m against Fl 57.8m last year. The share ended off Fl 1.40 at Fl 45.80, up from a low of Fl 44.60, after rising steadily this week.

DSM eased Fl 3.10 to Fl 120 after its surge this week.

MILAN ended slightly easier, with the Comit index falling 0.52 to 579.97 in thin trading, said to be similar to Wednesday's L110bn. "It's very soggy underfoot," said one analyst.

Olivetti rose L21 to L9,371 after its acquisition of ISC Systems of the US.

STOCKHOLM saw enthusiasm for selected blue chips in an otherwise calm market, with only SKr261m worth of shares traded. The Affärsvärlden General index rose 2.6 to 1,072.0.

Ericsson free B shares gained SKr2 to SKr402 on its 65.7 per cent rise in 1988 profits, at the top end of expectations. Aga free Bs added SKr7 to SKr249 on analysts' recommendations. Trelleborg free Bs rose SKr5 to SKr368 on expectations of good results and higher copper prices, said one analyst.

OSLO reached a new post-crash high, with the all-share index up 0.86 at 409.84 in active trading.

HELSINKI gained ground for the third consecutive session as good corporate news boosted demand, with the Unitas all-share index up 6.4 at 767.6.

BRUSSELS was boosted by speculative demand for the three troubled subsidiaries of Société Générale de Belgique, and the cash market index rose 22.69 to 5,613.71. Chemical stock Gechem added BFr30 to BFr820 and steelmaker Arbed put on BFr270 to BFr4,850, with both benefiting from the hope that financial restructuring will improve results.

MADRID saw continued uncertainty over the breakdown of negotiations between the unions and the Government. The general index eased just 0.03 to 279.56.

Telefonica lost 2.75 points to 189 of par and announced improved group profits for 1988 after the close.

ASIA PACIFIC

Early strength gives way to worry over high prices

Tokyo

PRECARIOUSLY high prices and the increasing likelihood of some restrictions on margin transactions took share prices lower after a buoyant rally early in the day, *writes Michiyo Nakamoto in Tokyo.*

Trading began with a bullish tone as the Nikkei average rose 161.24 points only an hour after the opening. The dizzying speed with which share prices have been rising, however, fuelled widespread concern and profit-taking, and the Nikkei average fell from a high of 32,270.48 to a low of 32,064.24 before closing up a moderate 13.31 at 32,078.43.

Volume fell to 1.5bn shares against the 1.79bn traded on Wednesday, and the Topix index of all listed shares was little changed, off just 1 at 2,489.07. In London, the ISE/Nikkei 50 index rose 3.41 to 2,000.06.

Yesterday's rather weak performance in Tokyo was seen as a natural slowdown for a market that has risen so speedily over the past few sessions. There were few outside influences to concern the market, with the yen actually stronger against the dollar.

Domestically, there are worries over the possibility that opposition parties will increase pressure on the ruling Liberal Democratic Party (LDP) to take responsibility for the involvement of several members in the Recruit Cosmos share sale scandal. The affair is threatening the political stability of the LDP and raising concerns that a shaky Government could eventually dampen equity trading, but sentiment remains very positive.

The recent tendency for investors to move around the market in quick sectoral rotation led to demand for high-technology issues yesterday, particularly those that have been neglected recently.

Among them were electricals such as Toshiba, which topped the most actives list with 76.7m shares, adding Y30 to Y1,140.

Sato Kogyo, the construction company which has risen substantially on expectations that government spending on improving Japan's infrastructure will boost its earnings, was second most actively traded at 60.7m shares, adding Y210 to Y2,160.

Kobe Steel was third in volume terms with 54.7m shares traded, but fell Y7 to Y830. Although expectations are that steels will be among the market leaders these are also liable to be sold heavily as they are approach previous highs. NKK was down Y25 at Y968 in heavy trading.

Individually, Meiji Milk Products added Y70 to Y1,080 on reports that it has found a new substance in the fight against the Aids virus.

Investors in Osaka selected high-technology issues and the OSE average gained 25.60 to 30,459.44. Volume at 159.6m shares was lower than the 181.3m traded on Wednesday.

Roundup

THE HONG KONG market stood out with a powerful rise, while Australia and Singapore were firm.

HONG KONG celebrated the first day's trading in the new Chinese year by soaring to another post-crash high, helped by buoyant markets overseas and strong foreign demand.

The Hang Seng index gained 104 to 3,209.96 – its largest single gain since January 5 last year – and turnover totalled HK$2.7bn.

Hongkong Bank and Hongkong Telecom both gained 15 cents to HK$7.50 and HK$5.80 respectively. China Light rose 40 cents to HK$15.50.

AUSTRALIA finished at the day's high, boosted by stronger commodity prices and futures prices. The All Ordinaries index closed up 12.3 at 1,513.6 in continued thin trading of 79m shares worth A$141m.

News Corp was particularly strong, rising 25 cents to A$10.95. Renison Goldfields climbed 12 cents to A$7.38 after a 68 per cent rise in six month earnings. Poseidon eased 5 cents to A$2.30 following news that the Normandy Resources mining group had apparently beaten TNT, the transport company, for control of Poseidon.

SOUTH AFRICA

THE weak financial rand and continued institutional demand for quality shares spurred demand and Johannesburg gold stocks closed sharply higher.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	WEDNESDAY FEBRUARY 8 1989 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	TUESDAY FEBRUARY 7 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	151.71	+1.1	129.00	113.21	4.79	150.05	127.67	112.52	157.12	91.16	91.16
Austria (18)	94.90	+0.4	80.69	92.30	2.67	94.47	80.38	91.96	100.00	83.72	94.49
Belgium (63)	133.61	-0.1	113.62	129.99	3.96	133.69	113.75	129.74	139.89	99.14	114.08
Canada (125)	136.65	-0.4	116.20	117.36	3.12	137.27	116.79	117.49	137.27	107.06	109.88
Denmark (39)	156.13	+0.3	132.77	154.81	1.96	155.53	133.18	154.56	161.60	111.42	114.57
Finland (26)	142.41	+1.4	121.10	129.08	1.35	140.50	119.54	127.26	142.41	106.78	111.60
France (131)	119.56	+1.1	101.67	119.47	2.72	118.26	100.62	117.89	119.56	72.77	79.50
West Germany (102)	86.11	+0.6	73.22	83.80	2.26	85.63	72.86	83.14	90.40	67.78	71.25
Hong Kong (45)	129.37	+0.0	110.01	129.55	3.83	129.37	110.08	129.55	129.38	84.90	85.46
Ireland (17)	137.79	+1.4	117.17	136.29	3.76	135.86	115.60	133.68	144.25	104.60	107.65
Italy (98)	79.30	+0.2	67.44	80.78	2.50	79.13	67.33	80.49	86.88	62.99	64.08
Japan (456)	194.46	+0.5	165.36	159.36	0.47	193.44	164.59	158.04	197.43	133.61	149.12
Malaysia (36)	158.06	+0.8	134.40	166.06	2.58	156.84	133.45	164.67	158.06	107.83	108.53
Mexico (13)	164.97	+1.1	140.28	418.64	1.22	163.12	138.79	413.76	182.24	90.07	141.76
Netherland (39)	114.12	+0.1	97.04	110.11	4.51	113.97	96.97	109.63	115.04	95.23	97.18
New Zealand (24)	74.38	+1.6	63.25	64.15	6.14	73.19	62.27	63.39	84.05	63.32	66.87
Norway (26)	159.54	+0.2	135.67	146.60	1.86	159.28	135.52	146.20	161.54	98.55	102.70
Singapore (26)	141.75	+1.5	120.54	125.75	2.12	139.70	118.86	124.15	141.75	97.99	99.56
South Africa (60)	127.85	+1.8	108.72	110.68	4.27	125.62	106.89	108.29	139.07	96.26	118.85
Spain (42)	145.97	-0.6	124.12	128.77	3.69	146.79	124.89	129.22	164.47	130.73	133.15
Sweden (35)	149.17	+0.9	126.84	140.44	2.15	147.85	125.80	138.88	150.22	96.92	106.58
Switzerland (57)	76.51	+0.4	65.06	75.44	2.25	76.21	64.84	74.96	86.75	74.13	77.64
United Kingdom (314)	152.54	+1.2	129.71	129.71	4.18	150.74	128.25	128.25	152.54	120.66	125.21
USA (564)	121.56	-0.3	103.37	121.56	3.52	121.90	103.72	121.90	121.90	99.19	104.76
Europe (1007)	120.49	+0.8	102.46	110.40	3.45	119.54	101.71	109.42	120.49	97.01	98.30
Nordic (126)	144.61	+0.5	122.97	133.45	1.97	143.91	122.44	132.45	144.61	98.11	104.41
Pacific Basin (676)	189.95	+0.5	161.52	156.01	0.69	188.93	160.75	154.74	192.26	130.81	144.40
Euro-Pacific (1683)	162.16	+0.6	137.90	137.86	1.52	161.17	137.13	136.71	162.16	120.36	125.98
North America (694)	122.37	-0.3	104.06	121.33	3.50	122.73	104.42	121.65	122.73	99.78	105.03
Europe Ex. UK (693)	100.78	+0.5	85.70	98.41	2.83	100.33	85.37	97.73	102.91	80.27	81.60
Pacific Ex. Japan (220)	135.87	+0.8	115.54	113.65	4.34	134.80	114.69	113.09	137.41	87.51	87.51
World Ex. US (1881)	160.94	+0.6	136.85	137.04	1.59	159.99	136.12	135.93	160.94	120.26	125.37
World Ex. UK (2136)	145.08	+0.1	123.37	132.01	1.98	144.74	123.15	131.46	145.08	111.77	116.61
World Ex. So. Af. (2390)	145.84	+0.3	124.02	131.93	2.17	145.38	123.69	131.30	145.84	113.26	117.36
World Ex. Japan (1994)	122.34	+0.2	104.03	117.36	3.53	122.13	103.92	117.12	122.34	100.00	102.15
The World Index (2450)	145.73	+0.3	123.92	131.78	2.18	145.26	123.59	131.15	145.73	113.37	117.37

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

Hong Kong market closed February 8.
Latest prices were unavailable for this edition.